Ugu District Municipality

Ugu District Municipality
Consolidated Financial Statements
for the year ended 30 June 2017
Auditor General South Africa (AGSA)
Registered Auditors

General Information

Legal form of entity	Municipality (MFMA)
Nature of business and principal activities	District Municipality
The following is included in the scope of operation	Municipality: Provide community within Ugu District with Water and Sanitation services. Municipal Entity: Ugu South Coast Tourism: Developing and promoting the Ugu district as tourism destination. Municipal Entity: Ugu South Coast Development Agency: Implementing economic growth and development.
Mayoral committee	Cllr MA Chiliza (Deputy Mayor: Appointed as Mayor on 23 February 2017)
	Cllr OT Mnyayiza (Mayor: Passed on)
Mayor	Cllr NH Gumede (Mayor: Appointed as Speaker on 10 August 2017)
	Cllr GS Nyawuza
Executive Council	Cllr LMR Ngcobo
	Cllr SP Mthethwa
	Cllr IM Mavundla
	Cllr JS Mbutuma
	Cllr NF Shusha
	Cllr PH Mthiyane
	Cllr NT Zwane
Grading of local authority	Grade 5
Chief Finance Officer (CFO)	Ms SP Ngilande
Accounting Officer	Mr DD Naidoo
Registered office	28 Connor Street Port Shepstone KwaZulu-Natal 4240
Business address	28 Connor Street Port Shepstone KwaZulu-Natal 4240
Postal address	P O Box 33 Port Shepstone KwaZulu-Natal 4240
Bankers	Primary Banker: ABSA Bank Limited; Secondary Bankers: Nedbank Bank Limited; Standard Bank Limited; First National Bank Limited; and Investec Limited.
Auditors	Auditor General South Africa (AGSA) Registered Auditors
Website	www.ugu,gov.za

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The reports and statements set out below comprise the consolidated financial statements presented to the provincial legislature:

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the consolidated financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the consolidated financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the consolidated financial statements and was given unrestricted access to all financial records and related data.

The consolidated financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The consolidated financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the economic entity and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the economic entity and all employees are required to maintain the highest ethical standards in ensuring the economic entity’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the economic entity is on identifying, assessing, managing and monitoring all known forms of risk across the economic entity. While operating risk cannot be fully eliminated, the economic entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the economic entity’s cash flow forecast for the year and, in the light of this review and the current financial position, he is satisfied that the economic entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The accounting officer certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Although the Accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the economic entity's external auditors.

The external auditors are responsible for independently reviewing and reporting on the economic entity's consolidated financial statements. The consolidated financial statements have been examined by the economic entity's external auditors and their report is presented on page 6.

The consolidated financial statements set out on pages 6 to 138, which have been prepared on the going concern basis, were approved by the accounting officer on 29 September 2017 and were signed on its behalf by:

Mr DD Naidoo
Accounting Officer

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2017.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet four (4) times per annum as per its approved terms of reference. During the current year six (6) number of meetings were held.

Name of member	Number of meetings attended
Mr P Preston (Chairperson)	6
Mr B Dladla	5
Ms C Elliott	6
Ms B Jojo	6

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from Section 166(2)(a) to (e) of the MFMA and Treasury Regulation 3.1.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

Evaluation of consolidated financial statements

The audit committee has:

- reviewed and discussed the audited consolidated financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General of South Africa's management report and management’s response thereto;
- reviewed changes in accounting policies and practices;
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept the Auditor-General of South Africa's report the consolidated financial statements, and are of the opinion that the audited consolidated financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the economic entity.

Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

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Chairperson of the Audit Committee

Date: ______________________

Independent Auditor's Report

The Auditor General of South Africa submits his report for the year ended 30 June 2017.

Statement of Financial Position as at 30 June 2017

Figures in Rand	Note(s)	Economic entity 2017	Economic entity 2016 Restated*	Controlling entity 2017	Controlling entity 2016 Restated*
Assets					
Current Assets					
Inventories	3	7 629 409	11 524 055	7 629 409	11 524 055
Current portion of long-term receivables	4	58 731	11 594	58 731	11 594
Operating lease asset	5	45 030	46 289	45 030	46 289
Receivables from non-exchange transactions	6	21 948 927	27 131 826	19 922 047	27 115 383
VAT receivable	7	18 743 266	29 739 241	18 575 169	29 870 530
Receivables from exchange transactions	8	101 303 926	60 119 263	100 596 019	59 677 535
Cash and cash equivalents	9	189 201 721	278 567 024	180 503 687	258 763 006
		338 931 010	**407 139 292**	**327 330 092**	**387 008 392**
Non-Current Assets					
Investment property	10	39 342 482	29 500 000	30 242 482	29 500 000
Property, plant and equipment	11	3 929 693 061	3 850 650 094	3 928 199 617	3 849 207 216
Intangible assets	12	16 318 420	11 504 130	16 267 434	11 460 699
Investments in controlled entities	13	-	-	200	200
Long-term receivables	4	30 812	101 365	30 812	101 365
		3 985 384 775	**3 891 755 589**	**3 974 740 545**	**3 890 269 480**
Total Assets		**4 324 315 785**	**4 298 894 881**	**4 302 070 637**	**4 277 277 872**
Liabilities					
Current Liabilities					
Current portion long-term liabilities	14	21 590 802	19 727 697	21 590 802	19 727 697
Operating lease liability	5	142 388	108 315	56 760	55 585
Payables from exchange transactions	15	172 851 370	177 147 532	171 883 366	176 397 203
Consumer deposits	16	20 830 963	20 606 607	20 830 963	20 606 607
Unspent conditional grants and receipts	17	1 400 000	8 729 920	400 000	8 729 920
Provisions	18	28 781 752	25 715 613	27 755 890	25 157 337
Bank overdraft	9	150 443	2 306 145	150 443	2 306 145
		245 747 718	**254 341 829**	**242 668 224**	**252 980 494**
Non-Current Liabilities					
Long-term liabilities	14	104 930 511	125 825 541	104 930 511	125 825 541
Retirement benefit liabilities	19	16 002 157	15 571 785	16 002 157	15 571 785
Other long-term employee benefits	20	15 456 907	14 010 102	15 456 907	14 010 102
		136 389 575	**155 407 428**	**136 389 575**	**155 407 428**
Total Liabilities		**382 137 293**	**409 749 257**	**379 057 799**	**408 387 922**
Net Assets		**3 942 178 492**	**3 889 145 624**	**3 923 012 838**	**3 868 889 950**
Accumulated surplus		3 942 178 492	3 889 145 624	3 923 012 838	3 868 889 950

* See Note 46

Statement of Financial Performance

		Economic entity		Controlling entity	
Figures in Rand	Note(s)	2017	2016 Restated*	2017	2016 Restated*
Revenue					
Revenue from exchange transactions					
Service charges	21	314 581 575	319 927 885	314 581 575	319 927 885
Rental of facilities and equipment	22	2 545 445	1 089 006	2 545 445	1 089 006
Other income	23	12 751 040	17 329 673	10 093 411	16 797 754
Interest received - investment	24	28 297 098	30 628 193	27 447 517	29 874 150
Total revenue from exchange transactions		**358 175 158**	**368 974 757**	**354 667 948**	**367 688 795**
Revenue from non-exchange transactions					
Transfer revenue					
Government grants & subsidies	25	701 437 952	733 381 765	701 437 952	733 381 765
Public contributions and donations	26	7 377 878	4 961 650	-	-
Total revenue from non-exchange transactions		**708 815 830**	**738 343 415**	**701 437 952**	**733 381 765**
Total revenue		**1 066 990 988**	**1 107 318 172**	**1 056 105 900**	**1 101 070 560**
Expenditure					
Employee related costs	27	(340 948 143)	(302 627 815)	(330 968 190)	(294 667 945)
Remuneration of councillors	28	(9 422 804)	(9 549 402)	(8 323 243)	(8 957 246)
Depreciation and amortisation	29	(201 732 993)	(195 107 992)	(201 477 998)	(194 949 604)
Impairment loss/ Reversal of impairments	30	(38 220 070)	(244 666 071)	(38 213 407)	(244 666 071)
Finance costs	31	(10 627 915)	(13 556 116)	(10 625 404)	(13 556 084)
Lease rentals on operating lease		(3 816 841)	(2 815 995)	(2 723 216)	(2 050 086)
Debt Impairment	32	(17 731)	(196 710)	-	(172 017)
Repairs and maintenance		(67 134 345)	(63 151 041)	(66 980 699)	(63 008 980)
Bulk purchases	33	(77 790 321)	(66 091 136)	(77 790 321)	(66 091 136)
Contracted services	34	(35 647 802)	(22 848 792)	(35 428 382)	(22 704 656)
Transfers and Subsidies	35	(36 335 454)	(20 327 058)	(53 773 680)	(37 172 994)
General Expenses	36	(162 094 132)	(143 886 936)	(145 768 605)	(134 589 556)
Total expenditure		**(983 788 551)**	**(1 084 825 064)**	**(972 073 145)**	**(1 082 586 375)**
Operating surplus		**83 202 437**	**22 493 108**	**84 032 755**	**18 484 185**
Gain on disposal of assets		492 315	716 192	502 707	646 992
Fair value adjustments	37	(149 310)	96 749	100 000	96 749
Loss from transfer of functions between entities not under common control	40	(30 512 574)	-	(30 512 574)	-
		(30 169 569)	**812 941**	**(29 909 867)**	**743 741**
Surplus for the year		**53 032 868**	**23 306 049**	**54 122 888**	**19 227 926**

* See Note 46

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Economic entity		
Balance at 01 July 2015	**3 865 839 575**	**3 865 839 575**
Changes in net assets		
Surplus for the year	23 306 049	23 306 049
Total changes	23 306 049	23 306 049
Opening balance as previously reported	3 742 553 404	3 742 553 404
Adjustments		
Correction of errors (Note 46)	146 592 220	146 592 220
Restated* Balance at 01 July 2016 as restated*	**3 889 145 624**	**3 889 145 624**
Changes in net assets		
Surplus for the year	53 032 868	53 032 868
Total changes	53 032 868	53 032 868
Balance at 30 June 2017	**3 942 178 492**	**3 942 178 492**

Note(s)

Controlling entity		
Balance at 01 July 2015	**3 849 662 024**	**3 849 662 024**
Changes in net assets		
Surplus for the year	19 227 926	19 227 926
Total changes	19 227 926	19 227 926
Opening balance as previously reported	3 722 297 730	3 722 297 730
Adjustments		
Correction of errors (Note 46)	146 592 220	146 592 220
Restated* Balance at 01 July 2016 as restated*	**3 868 889 950**	**3 868 889 950**
Changes in net assets		
Surplus for the year	54 122 888	54 122 888
Total changes	54 122 888	54 122 888
Balance at 30 June 2017	**3 923 012 838**	**3 923 012 838**

Note(s)

* See Note 46

Ugu District Municipality
(Registration number DC21)
Consolidated Financial Statements for the year ended 30 June 2017

Cash Flow Statement

		Economic entity		Controlling entity	
Figures in Rand	Note(s)	2017	2016 Restated*	2017	2016 Restated*
Cash flows from operating activities					
Receipts					
Sale of goods and services		286 076 458	327 963 324	289 123 462	319 339 593
Grants		709 379 385	747 241 150	701 837 920	747 241 150
Interest income		28 297 098	30 628 193	27 447 517	29 874 150
		1 023 752 941	1 105 832 667	1 018 408 899	1 096 454 893
Payments					
Employee costs		(350 370 947)	(312 177 217)	(339 291 433)	(296 976 886)
Finance costs		(10 627 915)	(13 556 116)	(10 625 404)	(13 556 084)
Other payments		(403 242 801)	(363 516 729)	(407 546 666)	(376 336 118)
		(764 241 663)	(689 250 062)	(757 463 503)	(686 869 088)
Net cash flows from operating activities	39	**259 511 278**	**416 582 605**	**260 945 396**	**409 585 805**
Cash flows from investing activities					
Purchase of property, plant and equipment	11	(310 207 300)	(362 184 967)	(309 903 604)	(361 281 867)
Proceeds from sale of property, plant and equipment	11	801 765	963 496	801 765	874 497
Purchase of investment property	10	(9 991 792)	-	(642 482)	-
Purchase of other intangible assets	12	(8 318 469)	(4 901 812)	(8 299 609)	(4 895 935)
Proceeds from sale of financial assets		26 842	209 540	26 842	209 540
Net cash flows from investing activities		**(327 688 954)**	**(365 913 743)**	**(318 017 088)**	**(365 093 765)**
Cash flows from financing activities					
Repayment of other financial liabilities		(19 031 925)	(17 893 632)	(19 031 925)	(17 893 632)
Finance lease payments		-	(3 063 785)	-	(3 063 785)
Net cash flows from financing activities		**(19 031 925)**	**(20 957 417)**	**(19 031 925)**	**(20 957 417)**
Net increase/(decrease) in cash and cash equivalents		**(87 209 601)**	**29 711 445**	**(76 103 617)**	**23 534 623**
Cash and cash equivalents at the beginning of the year		276 260 879	246 549 434	256 456 861	232 922 238
Cash and cash equivalents at the end of the year	9	**189 051 278**	**276 260 879**	**180 353 244**	**256 456 861**

* See Note 46

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Economic entity						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	473 667 454	-	**473 667 454**	314 581 575	**(159 085 879)**	Appendix E1
Rental of facilities and equipment	1 249 170	(100 000)	**1 149 170**	2 545 445	**1 396 275**	Appendix E1
Other income	11 557 957	3 758 098	**15 316 055**	12 751 040	**(2 565 015)**	Appendix E1
Interest received - investment	19 370 069	864 378	**20 234 447**	28 297 098	**8 062 651**	Appendix E1
Total revenue from exchange transactions	**505 844 650**	**4 522 476**	**510 367 126**	**358 175 158**	**(152 191 968)**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	719 523 587	1 916 678	**721 440 265**	701 437 952	**(20 002 313)**	Appendix E1
Public contributions and donations	-	-	**-**	7 377 878	**7 377 878**	Appendix E1
Total revenue from non-exchange transactions	**719 523 587**	**1 916 678**	**721 440 265**	**708 815 830**	**(12 624 435)**	
Total revenue	**1 225 368 237**	**6 439 154**	**1 231 807 391**	**1 066 990 988**	**(164 816 403)**	
Expenditure						
Personnel	(332 850 265)	(6 282 371)	**(339 132 636)**	(340 948 143)	**(1 815 507)**	
Remuneration of councillors	(11 874 441)	820 000	**(11 054 441)**	(9 422 804)	**1 631 637**	
Depreciation and amortisation	(123 604 339)	(5 040 997)	**(128 645 336)**	(201 732 993)	**(73 087 657)**	Appendix E1
Impairment loss/ Reversal of impairments	(38 158 786)	8 817 461	**(29 341 325)**	(38 220 070)	**(8 878 745)**	Appendix E1
Finance costs	(15 775 660)	3 801 413	**(11 974 247)**	(10 627 915)	**1 346 332**	
Lease rentals on operating lease	(2 242 701)	(360 000)	**(2 602 701)**	(3 816 841)	**(1 214 140)**	
Debt Impairment	(17 740)	-	**(17 740)**	(17 731)	**9**	
Repairs and maintenance	(70 782 681)	470 185	**(70 312 496)**	(67 134 345)	**3 178 151**	Appendix E1
Bulk purchases	(81 468 000)	10 609 360	**(70 858 640)**	(77 790 321)	**(6 931 681)**	Appendix E1
Contracted Services	(29 683 354)	(9 631 459)	**(39 314 813)**	(35 647 802)	**3 667 011**	Appendix E1
Transfers and Subsidies	(57 715 762)	(38 307 923)	**(96 023 685)**	(36 335 454)	**59 688 231**	Appendix E1
General Expenses	(159 046 645)	(12 909 040)	**(171 955 685)**	(162 094 132)	**9 861 553**	
Total expenditure	**(923 220 374)**	**(48 013 371)**	**(971 233 745)**	**(983 788 551)**	**(12 554 806)**	
Operating surplus	**302 147 863**	**(41 574 217)**	**260 573 646**	**83 202 437**	**(177 371 209)**	
Gain on disposal of assets and liabilities	(10 405)	-	**(10 405)**	492 315	**502 720**	Appendix E1
Fair value adjustments	-	-	**-**	(149 310)	**(149 310)**	Appendix E1
Loss from transfer of functions between entities not under common control	-	-	**-**	(30 512 574)	**(30 512 574)**	Appendix E1
	(10 405)	**-**	**(10 405)**	**(30 169 569)**	**(30 159 164)**	
Surplus before taxation	**302 137 458**	**(41 574 217)**	**260 563 241**	**53 032 868**	**(207 530 373)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**302 137 458**	**(41 574 217)**	**260 563 241**	**53 032 868**	**(207 530 373)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	21 780 651	9 719 349	**31 500 000**	7 629 409	**(23 870 591)**	
Current portion of long-term liabilities	36 299	-	**36 299**	58 731	**22 432**	
Operating lease receivables	-	-	**-**	45 030	**45 030**	
Receivables from non-exchange transactions	31 215 187	(26 000 000)	**5 215 187**	21 948 927	**16 733 740**	
VAT receivable	25 000 000	-	**25 000 000**	18 743 266	**(6 256 734)**	
Receivables from exchange transactions	127 573 236	74 591 494	**202 164 730**	101 303 926	**(100 860 804)**	
Cash and cash equivalents	380 101 955	(98 304 745)	**281 797 210**	189 201 721	**(92 595 489)**	
	585 707 328	**(39 993 902)**	**545 713 426**	**338 931 010**	**(206 782 416)**	
Non-Current Assets						
Investment property	32 417 084	(2 917 084)	**29 500 000**	39 342 482	**9 842 482**	
Property, plant and equipment	4 015 299 981	242 687 972	**4 257 987 953**	3 929 693 061	**(328 294 892)**	
Intangible assets	7 114 362	4 389 769	**11 504 131**	16 318 420	**4 814 289**	
Long-term receivables	189 451	150 000	**339 451**	30 812	**(308 639)**	
	4 055 020 878	**244 310 657**	**4 299 331 535**	**3 985 384 775**	**(313 946 760)**	
Total Assets	**4 640 728 206**	**204 316 755**	**4 845 044 961**	**4 324 315 785**	**(520 729 176)**	
Liabilities						
Current Liabilities						
Current portion long term liabilities	18 277 294	-	**18 277 294**	21 590 802	**3 313 508**	
Operating lease liability	58 364	-	**58 364**	142 388	**84 024**	
Payables from exchange transactions	174 337 128	33 444 187	**207 781 315**	172 851 370	**(34 929 945)**	
Consumer deposits	21 456 419	273 087	**21 729 506**	20 830 963	**(898 543)**	
Unspent conditional grants and receipts	-	-	**-**	1 400 000	**1 400 000**	
Provisions	22 346 324	-	**22 346 324**	28 781 752	**6 435 428**	
Bank overdraft	-	1 500 000	**1 500 000**	150 443	**(1 349 557)**	
	236 475 529	**35 217 274**	**271 692 803**	**245 747 718**	**(25 945 085)**	
Non-Current Liabilities						
Long-term liabilities	109 523 687	-	**109 523 687**	104 930 511	**(4 593 176)**	
Retirement benefits liabilities	16 350 374	(700 000)	**15 650 374**	16 002 157	**351 783**	
Other long-term employee benefits	15 224 397	-	**15 224 397**	15 456 907	**232 510**	
	141 098 458	**(700 000)**	**140 398 458**	**136 389 575**	**(4 008 883)**	
Total Liabilities	**377 573 987**	**34 517 274**	**412 091 261**	**382 137 293**	**(29 953 968)**	
Net Assets	**4 263 154 219**	**169 799 481**	**4 432 953 700**	**3 942 178 492**	**(490 775 208)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	4 263 154 219	169 799 481	**4 432 953 700**	3 942 178 492	**(490 775 208)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	424 875 276	3 680 634	**428 555 910**	300 554 910	**(128 001 000)**	
Grants	719 523 587	1 916 678	**721 440 265**	708 980 371	**(12 459 894)**	
Interest income	19 355 633	878 814	**20 234 447**	28 297 098	**8 062 651**	
	1 163 754 496	**6 476 126**	**1 170 230 622**	**1 037 832 379**	**(132 398 243)**	
Payments						
Employee costs	(344 724 706)	(5 462 371)	**(350 187 077)**	(350 320 947)	**(133 870)**	
Finance costs	(15 775 660)	4 775 160	**(11 000 500)**	(10 627 915)	**372 585**	
Other payments	(313 145 327)	(125 099 326)	**(438 244 653)**	(417 322 008)	**20 922 645**	
	(673 645 693)	**(125 786 537)**	**(799 432 230)**	**(778 270 870)**	**21 161 360**	
Net cash flows from operating activities	**490 108 803**	**(119 310 411)**	**370 798 392**	**259 561 509**	**(111 236 883)**	
Purchase of property, plant and equipment	(369 147 000)	19 913 707	**(349 233 293)**	(310 207 300)	**39 025 993**	
Proceeds from sale of property, plant and equipment	-	150 000	**150 000**	801 534	**651 534**	
Purchase of investment property	-	-	**-**	(9 991 792)	**(9 991 792)**	
Purchase of other intangible assets	-	-	**-**	(8 318 469)	**(8 318 469)**	
Decrease/(Increase) in long-term receivables	94 725	(244 725)	**(150 000)**	26 842	**176 842**	
Net cash flows from investing activities	**(369 052 275)**	**19 818 982**	**(349 233 293)**	**(327 689 185)**	**21 544 108**	
Cash flows from financing activities						
Repayment of other financial liabilities	(18 277 294)	1 975 440	**(16 301 854)**	(19 031 925)	**(2 730 071)**	
Increase/(Decrease) in consumer deposits	420 714	(147 627)	**273 087**	-	**(273 087)**	
Net cash flows from financing activities	**(17 856 580)**	**1 827 813**	**(16 028 767)**	**(19 031 925)**	**(3 003 158)**	
Net increase/(decrease) in cash and cash equivalents	103 199 948	(97 663 616)	**5 536 332**	(87 159 601)	**(92 695 933)**	
Cash and cash equivalents at the beginning of the year	263 708 830	12 552 048	**276 260 878**	276 260 879	**1**	
Cash and cash equivalents at the end of the year	**366 908 778**	**(85 111 568)**	**281 797 210**	**189 101 278**	**(92 695 932)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Controlling entity						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	473 667 454	1 309 958	**474 977 412**	314 581 575	**(160 395 837)**	
Rental of facilities and equipment	1 249 170	(100 000)	**1 149 170**	2 545 445	**1 396 275**	
Other income - (rollup)	6 122 818	3 729 952	**9 852 770**	10 093 411	**240 641**	
Interest received - investment	18 801 593	600 000	**19 401 593**	27 447 517	**8 045 924**	
Total revenue from exchange transactions	**499 841 035**	**5 539 910**	**505 380 945**	**354 667 948**	**(150 712 997)**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	711 790 000	(4 643 000)	**707 147 000**	701 437 952	**(5 709 048)**	
Total revenue	**1 211 631 035**	**896 910**	**1 212 527 945**	**1 056 105 900**	**(156 422 045)**	
Expenditure						
Personnel	(321 908 513)	(7 106 610)	**(329 015 123)**	(330 968 190)	**(1 953 067)**	
Remuneration of councillors	(11 200 371)	1 000 000	**(10 200 371)**	(8 323 243)	**1 877 128**	
Depreciation and amortisation	(123 604 339)	(4 780 997)	**(128 385 336)**	(201 477 998)	**(73 092 662)**	
Impairment loss/ Reversal of impairments	(38 108 786)	8 767 461	**(29 341 325)**	(38 213 407)	**(8 872 082)**	
Finance costs	(15 556 657)	3 582 910	**(11 973 747)**	(10 625 404)	**1 348 343**	
Lease rentals on operating lease	(800 000)	(360 000)	**(1 160 000)**	(2 723 216)	**(1 563 216)**	
Repairs and maintenance	(70 635 710)	470 185	**(70 165 525)**	(66 980 699)	**3 184 826**	
Bulk purchases	(81 466 500)	10 608 360	**(70 858 140)**	(77 790 321)	**(6 932 181)**	
Contracted Services	(29 683 354)	(9 590 569)	**(39 273 923)**	(35 428 382)	**3 845 541**	
Transfers and Subsidies	(21 780 890)	(38 307 923)	**(60 088 813)**	(53 773 680)	**6 315 133**	
General Expenses	(148 451 472)	(12 296 188)	**(160 747 660)**	(145 768 605)	**14 979 055**	
Total expenditure	**(863 196 592)**	**(48 013 371)**	**(911 209 963)**	**(972 073 145)**	**(60 863 182)**	
Operating surplus	**348 434 443**	**(47 116 461)**	**301 317 982**	**84 032 755**	**(217 285 227)**	
Gain on disposal of assets and liabilities	-	-	**-**	502 707	**502 707**	
Fair value adjustments	-	-	**-**	100 000	**100 000**	
Deficit on distribution of non-cash assets to owners	-	-	**-**	(30 512 574)	**(30 512 574)**	
	-	**-**	**-**	**(29 909 867)**	**(29 909 867)**	
Surplus before taxation	**348 434 443**	**(47 116 461)**	**301 317 982**	**54 122 888**	**(247 195 094)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**348 434 443**	**(47 116 461)**	**301 317 982**	**54 122 888**	**(247 195 094)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	21 780 651	9 719 349	**31 500 000**	7 629 409	**(23 870 591)**	
Current portion of Long-term Receivables	36 299	-	**36 299**	58 731	**22 432**	
Operating lease asset	50 000	-	**50 000**	45 030	**(4 970)**	
Receivables from non-exchange transactions	30 228 062	(26 000 000)	**4 228 062**	19 922 047	**15 693 985**	
VAT receivable	25 000 000	-	**25 000 000**	18 575 169	**(6 424 831)**	
Receivables from exchange transactions	127 573 236	74 591 494	**202 164 730**	100 596 019	**(101 568 711)**	
Cash and cash equivalents	365 953 928	(98 139 786)	**267 814 142**	180 503 687	**(87 310 455)**	
	570 622 176	**(39 828 943)**	**530 793 233**	**327 330 092**	**(203 463 141)**	
Non-Current Assets						
Investment property	32 417 084	(2 917 084)	**29 500 000**	30 242 482	**742 482**	
Property, plant and equipment	4 013 667 152	242 973 236	**4 256 640 388**	3 928 199 617	**(328 440 771)**	
Intangible assets	6 878 684	4 389 769	**11 268 453**	16 267 434	**4 998 981**	
Investments	200	-	**200**	200	**-**	
Long-term receivables	134 753	150 000	**284 753**	30 812	**(253 941)**	
	4 053 097 873	**244 595 921**	**4 297 693 794**	**3 974 740 545**	**(322 953 249)**	
Total Assets	**4 623 720 049**	**204 766 978**	**4 828 487 027**	**4 302 070 637**	**(526 416 390)**	
Liabilities						
Current Liabilities						
Current portion of long-term liabilities	18 277 294	-	**18 277 294**	21 590 802	**3 313 508**	
Operating lease liability	58 364	-	**58 364**	56 760	**(1 604)**	
Payables from exchange transactions	173 147 342	33 444 187	**206 591 529**	171 883 366	**(34 708 163)**	
Consumer deposits	21 456 420	273 087	**21 729 507**	20 830 963	**(898 544)**	
Unspent conditional grants and receipts	-	-	**-**	400 000	**400 000**	
Provisions	22 033 622	-	**22 033 622**	27 755 890	**5 722 268**	
Bank overdraft	-	1 500 000	**1 500 000**	150 443	**(1 349 557)**	
	234 973 042	**35 217 274**	**270 190 316**	**242 668 224**	**(27 522 092)**	
Non-Current Liabilities						
Long-term liabilities	109 523 687	-	**109 523 687**	104 930 511	**(4 593 176)**	
Retirement benefit liabilities	16 350 374	(700 000)	**15 650 374**	16 002 157	**351 783**	
Other long-term employee benefits	15 224 397	-	**15 224 397**	15 456 907	**232 510**	
	141 098 458	**(700 000)**	**140 398 458**	**136 389 575**	**(4 008 883)**	
Total Liabilities	**376 071 500**	**34 517 274**	**410 588 774**	**379 057 799**	**(31 530 975)**	
Net Assets	**4 247 648 549**	**170 249 704**	**4 417 898 253**	**3 923 012 838**	**(494 885 415)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	4 247 648 549	170 249 704	**4 417 898 253**	3 923 012 838	**(494 885 415)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	420 935 681	3 652 488	**424 588 169**	289 123 462	**(135 464 707)**	
Grants	693 092 774	(3 029 264)	**690 063 510**	701 837 920	**11 774 410**	
Interest income	18 995 132	614 436	**19 609 568**	27 447 517	**7 837 949**	
	1 133 023 587	**1 237 660**	**1 134 261 247**	**1 018 408 899**	**(115 852 348)**	
Payments						
Employee costs	(333 108 884)	(6 313 610)	**(339 422 494)**	(336 298 933)	**3 123 561**	
Finance costs	(15 774 085)	4 775 160	**(10 998 925)**	(10 625 404)	**373 521**	
Other payments	(295 386 616)	(130 819 471)	**(426 206 087)**	(410 539 166)	**15 666 921**	
	(644 269 585)	**(132 357 921)**	**(776 627 506)**	**(757 463 503)**	**19 164 003**	
Net cash flows from operating activities	**488 754 002**	**(131 120 261)**	**357 633 741**	**260 945 396**	**(96 688 345)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(368 557 000)	19 678 443	**(348 878 557)**	(309 903 604)	**38 974 953**	
Proceeds from sale of property, plant and equipment	-	150 000	**150 000**	801 765	**651 765**	
Purchase of investment property	-	-	**-**	(642 482)	**(642 482)**	
Purchase of other intangible assets	-	-	**-**	(8 299 609)	**(8 299 609)**	
Decrease/(Increase) in current portion long-term receivables	94 725	(244 725)	**(150 000)**	26 842	**176 842**	
Net cash flows from investing activities	**(368 462 275)**	**19 583 718**	**(348 878 557)**	**(318 017 088)**	**30 861 469**	
Cash flows from financing activities						
Increase/(decrease) in consumer deposits	420 714	(147 627)	**273 087**	-	**(273 087)**	
Repayment of other financial liabilities	(18 277 294)	1 975 440	**(16 301 854)**	(19 031 925)	**(2 730 071)**	
Net cash flows from financing activities	**(17 856 580)**	**1 827 813**	**(16 028 767)**	**(19 031 925)**	**(3 003 158)**	
Net increase/(decrease) in cash and cash equivalents	102 435 147	(109 708 730)	**(7 273 583)**	(76 103 617)	**(68 830 034)**	
Cash and cash equivalents at the beginning of the year	263 708 830	8 070 471	**271 779 301**	256 456 861	**(15 322 440)**	
Cash and cash equivalents at the end of the year	**366 143 977**	**(101 638 259)**	**264 505 718**	**180 353 244**	**(84 152 474)**	

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Economic entity - 2017											
Financial Performance											
Service charges	473 667 454	-	473 667 454	-		473 667 454	314 581 575		(159 085 879)	66 %	66 %
Investment revenue	19 370 069	864 378	20 234 447	-		20 234 447	28 297 098		8 062 651	140 %	146 %
Transfers recognised - operational	408 661 587	13 316 365	421 977 952	-		421 977 952	391 139 000		(30 838 952)	93 %	96 %
Other own revenue	12 807 127	3 658 098	16 465 225	-		16 465 225	15 799 192		(666 033)	96 %	123 %
Total revenue (excluding capital transfers and contributions)	**914 506 237**	**17 838 841**	**932 345 078**	**-**		**932 345 078**	**749 816 865**		**(182 528 213)**	**80 %**	**82 %**
Employee costs	(332 850 265)	(6 282 371)	(339 132 636)	-	-	(339 132 636)	(340 948 143)	69 889	(1 815 507)	101 %	102 %
Remuneration of councillors	(11 874 441)	820 000	(11 054 441)	-	-	(11 054 441)	(9 422 804)	-	1 631 637	85 %	79 %
Debt impairment	(17 740)	-	(17 740)			(17 740)	(17 731)	-	9	100 %	100 %
Depreciation and asset impairment	(161 763 125)	3 776 464	(157 986 661)			(157 986 661)	(239 953 063)	115 091 661	(81 966 402)	152 %	148 %
Finance charges	(15 775 660)	3 801 413	(11 974 247)	-	-	(11 974 247)	(10 627 915)	-	1 346 332	89 %	67 %
Materials and bulk purchases	(90 167 528)	10 295 237	(79 872 291)	-	-	(79 872 291)	(77 790 321)	-	2 081 970	97 %	86 %
Transfers and grants	(57 715 762)	17 438 226	(40 277 536)	-	-	(40 277 536)	(36 335 454)	-	3 942 082	90 %	63 %
Other expenditure	(242 098 745)	(53 387 982)	(295 486 727)	-	-	(295 486 727)	(268 852 822)	-	26 633 905	91 %	111 %
Total expenditure	**(912 263 266)**	**(23 539 013)**	**(935 802 279)**	**-**	**-**	**(935 802 279)**	**(983 948 253)**	**115 161 550**	**(48 145 974)**	**105 %**	**108 %**
Surplus/(Deficit)	**2 242 971**	**(5 700 172)**	**(3 457 201)**	**-**		**(3 457 201)**	**(234 131 388)**		**(230 674 187)**	**6 772 %**	**6 772 %**

Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	310 862 000	(11 399 687)	299 462 313	-		299 462 313	310 298 952		10 836 639	104 %	100 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	7 377 878		7 377 878	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	**313 104 971**	**(17 099 859)**	**296 005 112**	**-**		**296 005 112**	**83 545 442**		**(212 459 670)**	**28 %**	**27 %**
Surplus/(Deficit) for the year	**313 104 971**	**(17 099 859)**	**296 005 112**	**-**		**296 005 112**	**83 545 442**		**(212 459 670)**	**28 %**	**27 %**
Capital expenditure and funds sources											
Total capital expenditure	369 147 000	(19 913 707)	349 233 293	-		349 233 293	320 030 326		(29 202 967)	92 %	87 %
Sources of capital funds											
Transfers recognised - capital	310 862 000	(11 754 422)	299 107 578	-		299 107 578	299 107 578		-	100 %	96 %
Internally generated funds	58 285 000	(8 159 285)	50 125 715	-		50 125 715	29 528 124		(20 597 591)	59 %	51 %
Total sources of capital funds	**369 147 000**	**(19 913 707)**	**349 233 293**	**-**		**349 233 293**	**328 635 702**		**(20 597 591)**	**94 %**	**89 %**

Unauthorised expenditure has been disclosed separately in the notes to financial statements. Refer to note 50.

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
Economic entity - 2016				
Financial Performance				
Service charges				319 927 885
Investment revenue				30 628 193
Transfers recognised - operational				377 267 137
Other own revenue				19 240 559
Total revenue (excluding capital transfers and contributions)				**747 063 774**
Employee costs	-	-	-	(302 627 815)
Remuneration of councillors	-	-	-	(9 549 402)
Debt impairment	172 017	-	172 017	(196 710)
Depreciation and asset impairment	112 677 428	-	112 677 428	(439 774 063)
Finance charges	-	-	-	(13 556 116)
Materials and bulk purchases	-	-	-	(66 091 136)
Transfers and grants	-	-	-	(20 327 058)
Other expenditure	1 100 086	-	1 100 086	(232 711 703)
Total expenditure	**113 949 531**	**-**	**113 949 531**	**(1 084 834 003)**
Surplus/(Deficit)				**(337 770 229)**
Transfers recognised - capital				356 114 628
Contributions recognised - capital and contributed assets				4 961 650
Surplus (Deficit) after capital transfers and contributions				**23 306 049**
Surplus/(Deficit) for the year				**23 306 049**

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
Capital expenditure and funds sources				
Total capital expenditure				364 250 690
Sources of capital funds				
Transfers recognised - capital				355 430 178
Internally generated funds				8 820 512
Total sources of capital funds				**364 250 690**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Controlling entity - 2017											
Financial Performance											
Service charges	473 667 454	1 309 958	474 977 412	-		474 977 412	314 581 575		(160 395 837)	66 %	66 %
Investment revenue	18 801 593	600 000	19 401 593	-		19 401 593	27 447 517		8 045 924	141 %	146 %
Transfers recognised - operational	400 438 000	7 601 423	408 039 423	-		408 039 423	391 139 000		(16 900 423)	96 %	98 %
Other own revenue	7 371 988	3 629 952	11 001 940	-		11 001 940	13 241 563		2 239 623	120 %	180 %
Total revenue (excluding capital transfers and contributions)	**900 279 035**	**13 141 333**	**913 420 368**	**-**		**913 420 368**	**746 409 655**		**(167 010 713)**	**82 %**	**83 %**
Employee costs	(321 908 513)	(7 106 610)	(329 015 123)	-	-	(329 015 123)	(330 968 190)	19 532	(1 953 067)	101 %	103 %
Remuneration of councillors	(11 200 371)	1 000 000	(10 200 371)	-	-	(10 200 371)	(8 323 243)	-	1 877 128	82 %	74 %
Debt impairment	(38 108 786)	8 767 461	(29 341 325)			(29 341 325)	-	-	29 341 325	- %	- %
Depreciation and asset impairment	(123 385 336)	(5 000 000)	(128 385 336)			(128 385 336)	(239 691 405)	144 436 679	(111 306 069)	187 %	194 %
Finance charges	(15 774 160)	3 800 413	(11 973 747)	-	-	(11 973 747)	(10 625 404)	-	1 348 343	89 %	67 %
Materials and bulk purchases	(90 167 528)	10 295 237	(79 872 291)	-	-	(79 872 291)	(77 790 321)	-	2 081 970	97 %	86 %
Transfers and grants	(21 780 890)	4 342 664	(17 438 226)	-	-	(17 438 226)	(53 773 680)	36 335 454	(36 335 454)	308 %	247 %
Other expenditure	(240 871 008)	(64 113 036)	(304 984 044)	-	-	(304 984 044)	(250 900 902)	-	54 083 142	82 %	104 %
Total expenditure	**(863 196 592)**	**(48 013 871)**	**(911 210 463)**	**-**	**-**	**(911 210 463)**	**(972 073 145)**	**180 791 665**	**(60 862 682)**	**107 %**	**113 %**
Surplus/(Deficit)	**37 082 443**	**(34 872 538)**	**2 209 905**	**-**		**2 209 905**	**(225 663 490)**		**(227 873 395)**	**(10 211)%**	**(609)%**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	310 272 000	(11 164 423)	299 107 577	-		299 107 577	310 298 952		11 191 375	104 %	100 %
Surplus (Deficit) after capital transfers and contributions	**347 354 443**	**(46 036 961)**	**301 317 482**	**-**		**301 317 482**	**84 635 462**		**(216 682 020)**	**28 %**	**24 %**
Surplus/(Deficit) for the year	**347 354 443**	**(46 036 961)**	**301 317 482**	**-**		**301 317 482**	**84 635 462**		**(216 682 020)**	**28 %**	**24 %**

Capital expenditure and funds sources

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Total capital expenditure	368 557 000	(19 678 707)	348 878 293	-		348 878 293	320 030 326		(28 847 967)	92 %	87 %
Sources of capital funds											
Transfers recognised - capital	310 862 000	(11 754 422)	299 107 578	-		299 107 578	299 107 578		-	100 %	96 %
Internally generated funds	57 695 000	(7 924 285)	49 770 715	-		49 770 715	18 811 324		(30 959 391)	38 %	33 %
Total sources of capital funds	**368 557 000**	**(19 678 707)**	**348 878 293**	**-**		**348 878 293**	**317 918 902**		**(30 959 391)**	**91 %**	**86 %**

Unauthorised expenditure has been disclosed separately in the notes to financial statements. Refer to note 50.

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
Controlling entity - 2016				
Financial Performance				
Service charges				319 927 885
Investment revenue				29 874 150
Transfers recognised - operational				377 267 137
Other own revenue				18 630 501
Total revenue (excluding capital transfers and contributions)				**745 699 673**
Employee costs	-	-	-	(294 667 945)
Remuneration of councillors	-	-	-	(8 957 246)
Debt impairment	172 017	-	172 017	(172 017)
Depreciation and asset impairment	112 677 428	-	112 677 428	(439 615 675)
Finance charges	-	-	-	(13 556 084)
Materials and bulk purchases	-	-	-	(66 091 136)
Transfers and grants	-	-	-	(37 172 994)
Other expenditure	1 100 086	-	1 100 086	(222 353 278)
Total expenditure	**113 949 531**	**-**	**113 949 531**	**(1 082 586 375)**
Surplus/(Deficit)				**(336 886 702)**
Transfers recognised - capital				356 114 628
Surplus (Deficit) after capital transfers and contributions				**19 227 926**
Surplus/(Deficit) for the year				**19 227 926**

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
Capital expenditure and funds sources				
Total capital expenditure				366 315 168
Sources of capital funds				
Transfers recognised - capital				370 470 115
Internally generated funds				46 430 475
Total sources of capital funds				**416 900 590**

Accounting Policies

1. Presentation of Consolidated Financial Statements

The consolidated financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These consolidated financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these consolidated financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These consolidated financial statements are presented in South African Rand, which is the functional currency of the economic entity.

1.2 Going concern assumption

These consolidated financial statements have been prepared based on the expectation that the economic entity will continue to operate as a going concern for at least the next 12 months.

1.3 Transfer of functions between entities not under common control

Definitions

An acquiree is the entity and/or the functions that the acquirer obtains control of in a transfer of functions.

An acquirer is the entity that obtains control of the acquiree or transferor.

Acquisition date is the date on which the acquirer obtains control of the acquiree.

Contingent consideration is usually, an obligation of the acquirer to transfer additional assets or a residual interest to the former owners of an acquiree as part of the exchange for control of the acquiree if specified future events occur or conditions are met. However, contingent consideration also may give the acquirer the right to the return of previously transferred consideration if specified conditions are met.

Control is the power to govern the financial and operating policies of another entity so as to obtain benefit from its activities.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an entity’s objectives, either by providing economic benefits or service potential.

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A merger is the establishment of a new combined entity in which none of the former entities obtain control over any other and no acquirer can be identified.

1.3 Transfer of functions between entities not under common control (continued)

Non-controlling interest is the interest in the net assets of a controlled entity not attributable, directly or indirectly, to a controlling entity.

Owners (for the purposes of this Standard), is used broadly to include holders of residual interests.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another entity.

The acquisition method

The economic entity accounts for each transfer of functions between entities not under common control by applying the acquisition method.

Applying the acquisition method requires:
(a) identifying the acquirer;
(b) determining the acquisition date;
(c) recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and
(d) recognising the difference between (c) and the consideration transferred to the seller.

Identifying the acquirer

For each transfer of functions between entities not under common control, one of the combining entities is identified as the acquirer.

The terms and conditions of a transfer of functions undertaken between entities not under common control are set out in a binding arrangement.

Determining the acquirer includes a consideration of, amongst other things, which of the combining entities initiated the transaction or event, the relative size of the combining entities, as well as whether the assets or revenue of one of the entities involved in the transaction or event significantly exceed those of the other entities. If no acquirer can be identified, the transaction or event is accounted for in terms of the Standard of GRAP on Mergers.

Determining the acquisition date

The acquirer identifies the acquisition date, which is the date on which it obtains control of the acquiree.

All relevant facts and circumstances are considered in identifying the transfer date.

Recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree

Recognition principle

As of the acquisition date, the municipality as acquirer recognises, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree.

Recognition conditions:

To qualify for recognition as part of applying the acquisition method, the identifiable assets acquired and liabilities assumed must meet the definitions of assets and liabilities in the Framework for the Preparation and Presentation of Financial Statements and the recognition criteria in the applicable Standards of GRAP at the acquisition date.

1.3 Transfer of functions between entities not under common control (continued)

In addition, to qualify for recognition as part of applying the acquisition method, the identifiable assets acquired and liabilities assumed must be part of what the municipality as acquirer and the acquiree (or its former owners) agreed in the binding arrangement rather than the result of separate transactions.

Operating leases:

The municipality as acquirer recognises no assets or liabilities related to an operating lease in which the acquiree is the lessee.

The municipality as acquirer determines whether the terms of each operating lease in which the acquiree is the lessee are favourable or unfavourable. The municipality as acquirer recognises an intangible asset if the terms of an operating lease are favourable relative to market terms and a liability if the terms are unfavourable relative to market terms.

An identifiable intangible asset may be associated with an operating lease, which may be evidenced by market participants‘ willingness to pay a price for the lease even if it is at market terms.

Intangible assets:

The municipality as acquirer separately recognises the identifiable intangible assets acquired in a transfer of functions. An intangible asset is identifiable if it meets either the separability criterion or the contractual-legal right criterion.

Classifying or designating identifiable assets acquired and liabilities assumed in a transfer of functions:

At the acquisition date, the municipality as acquirer classifies or designates the identifiable assets acquired and liabilities assumed as necessary to apply other Standards of GRAP subsequent to the acquisition date. The municipality as acquirer makes those classifications or designations on the basis of the terms of the binding arrangement, economic conditions, its operating or accounting policies and other relevant conditions as they exist at the acquisition date.

Measurement principle

The municipality as acquirer measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

Non-controlling interest in an acquiree:

For each transfer of functions, the municipality as acquirer measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity‘s net assets in the event of liquidation at either:

- fair value; or
- the present ownership instruments‘ proportionate share in the recognised amounts of the acquiree‘s identifiable net assets.

Assets with uncertain cash flows (valuation allowances):

The municipality as acquirer does not recognise a separate valuation allowance as of the acquisition date for assets acquired in a transfer of functions that are measured at their acquisition-date fair values because the effects of uncertainty about future cash flows are included in the fair value measure.

Assets subject to operating leases in which the acquiree is the lessor:

In measuring the acquisition-date fair value of an asset such as a building or a patent that is subject to an operating lease in which the acquiree is the lessor, the municipality as acquirer takes into account the terms of the lease.

Exceptions to the recognition principles

Contingent liabilities:

The requirements in the Standard of GRAP on Provisions, Contingent assets and Contingent liabilities do not apply in determining which contingent liabilities to recognise as of the acquisition date. Instead, the municipality as acquirer recognises as of the acquisition date a contingent liability assumed in a transfer of functions if it is a present obligation that arises from past events and its fair value can be measured reliably.

1.3 Transfer of functions between entities not under common control (continued)

Exceptions to both the recognition and measurement principles

Employee benefits:

The municipality as acquirer recognises and measures a liability (or asset, if any) related to the acquiree‘s employee benefit arrangements in accordance with the Standard of GRAP on Employee Benefits.

Indemnification assets:

The seller in a transfer of functions may contractually indemnify the municipality as acquirer for the outcome of a contingency or uncertainty related to all or part of a specific asset or liability. The municipality as acquirer recognises an indemnification asset at the same time that it recognises the indemnified item measured on the same basis as the indemnified item, subject to the need for a valuation allowance for uncollectible amounts. Therefore, if the indemnification relates to an asset or a liability that is recognised at the acquisition date and measured at its acquisition-date fair value, the municipality as acquirer recognises the indemnification asset at the acquisition date measured at its acquisition-date fair value. For an indemnification asset measured at fair value, the effects of uncertainty about future cash flows because of collectability considerations are included in the fair value measure and a separate valuation allowance is not necessary.

Exceptions to the measurement principle

Reacquired rights:

The municipality as acquirer measures the value of a reacquired right recognised as an intangible asset on the basis of the remaining contractual term of the related contract or other binding arrangement regardless of whether market participants would consider potential renewals of the contract or other binding arrangement in determining its fair value.

Assets held for sale:

The municipality as acquirer measures an acquired non-current asset (or disposal group) that is classified as held for sale at the acquisition date in accordance with the Standard of GRAP on Non-current assets held for sale and Discontinued operations at fair value less costs to sell.

Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred (if any)

The municipality as acquirer recognises the difference between the assets acquired and liabilities assumed and the consideration transferred (if any) as of the acquisition date in surplus or deficit. This difference is measured as the excess of (a) over (b) below:
(a) the aggregate of:
(i) the consideration transferred (if any) measured in accordance with this Standard, which generally requires acquisition-date fair value;
(ii) the amount of any non-controlling interest in the acquiree measured in accordance with this Standard; and
(iii) in a transfer of functions achieved in stages, the acquisition-date fair value of the entity as acquirer’s previously held equity interest in the acquiree.
(b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with this Standard.

Consideration transferred

The consideration transferred in a transfer of functions is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the municipality as acquirer, the liabilities incurred by the municipality as acquirer to former owners of the acquiree and the residual interests issued by the entity as acquirer.

Contingent consideration:

The consideration the municipality as acquirer transfers in exchange for the acquiree includes any asset or liability resulting from a contingent consideration arrangement. The municipality as acquirer recognises the acquisition-date fair value of contingent consideration as part of the consideration transferred in exchange for the acquiree.

1.3 Transfer of functions between entities not under common control (continued)

The municipality as acquirer classifies an obligation to pay contingent consideration as a liability or as net assets on the basis of the definitions of a residual interest and a financial liability in the Standard of GRAP on Financial instruments, or other applicable Standard of GRAP. The municipality as acquirer classifies as an asset a right to the return of previously transferred consideration if specified conditions are met.

A transfer of functions achieved in stages

A municipality as acquirer sometimes obtains control of an acquiree in which it held a residual interest immediately before the acquisition date.

In a transfer of functions achieved in stages, the municipality as acquirer remeasures its previously held residual interest in the acquiree at its acquisition-date fair value and recognises the resulting gain or loss, if any, in surplus or deficit. In prior reporting periods, the municipality as acquirer may have recognised changes in the value of its residual interest in the acquiree in surplus or deficit. If so, the amount that was recognised in surplus or deficit is recognised on the same basis as would be required if the municipality as acquirer had disposed directly of the previously held residual interest.

Measurement period

If the initial accounting for a transfer of functions is incomplete by the end of the reporting period in which the transfer occurs, the municipality as acquirer reports in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the municipality as acquirer retrospectively adjust the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date.

During the measurement period, the municipality as acquirer also recognises additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the municipality as acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period does not exceed two years from the acquisition date.

Determining what is part of the transfer of functions transaction

The municipality as acquirer and the acquiree may have a pre-existing relationship or other arrangement before or when negotiations for the transfer of functions began, or they may enter into a binding arrangement during the negotiations that is separate from the transfer of functions. In either situation, the municipality as acquirer identifies any amounts that are not part of what the municipality as acquirer and the acquiree (or its former owners) exchanged in the transfer of functions. The acquirer recognises as part of applying the acquisition method only the consideration transferred (if any) for the acquiree and the assets acquired and liabilities assumed by the municipality as acquirer in the transfer of functions as governed by the terms and conditions of the binding arrangement.

Effective settlement of a pre-existing relationship between the municipality as acquirer and acquiree in a transfer of functions

A pre-existing relationship between the municipality as acquirer and acquiree may be contractual or non-contractual.

If the transfer of functions in effect settles a pre-existing relationship, the municipality as acquirer recognises a gain or loss, measured as follows:
(a) for a pre-existing non-contractual relationship, fair value.
(b) for a pre-existing contractual relationship, the lesser of (i) and (ii):
(i) the amount by which the binding arrangement is favourable or unfavourable from the perspective of the municipality as acquirer when compared with terms for current market transactions for the same or similar items.
(ii) the amount of any stated settlement provisions in the binding arrangement available to the counterparty to whom the contract is unfavourable.
If (ii) is less than (i), the difference is included as part of the transfer of functions accounting. The amount of gain or loss recognised may depend in part on whether the municipality as acquirer had previously recognised a related asset or liability, and the reported gain or loss therefore may differ from the amount calculated by applying the above requirements.

1.3 Transfer of functions between entities not under common control (continued)

A pre-existing relationship may be a contract that the municipality as acquirer recognises as a reacquired right. If the binding arrangement includes terms that are favourable or unfavourable when compared with pricing for current market transactions for the same or similar items, the municipality as acquirer recognises, separately from the transfer of functions, a gain or loss for the effective settlement of the contract.

Acquisition-related costs:

Acquisition-related costs are costs the municipality as acquirer incurs to effect a transfer of functions. Those costs include advisory, legal, accounting, valuation and other professional or consulting fees, general administrative costs, and costs of registering and issuing debt and equity securities (if applicable). The municipality as acquirer accounts for acquisition-related costs as expenses in the periods in which the costs are incurred and the services are received, with one exception. The costs to issue debt or equity securities (if applicable) are recognised in accordance with the Standard of GRAP on Financial instruments.

Subsequent measurement and accounting

In general, an municipality as acquirer subsequently measure and account for assets acquired, liabilities assumed or incurred and the residual interest issued in a transfer of functions in accordance with other applicable Standards of GRAP for those items, depending on their nature.

Reacquired rights

A reacquired right recognised as an intangible asset is amortised over the remaining contractual period of the contract in which the right was granted. An municipality as acquirer that subsequently sells a reacquired right to a third party includes the carrying amount of the intangible asset in determining the gain or loss on the sale.

Contingent liabilities

After initial recognition and until the liability is settled, cancelled or expires, the municipality as acquirer measures a contingent liability recognised in a transfer of functions at the higher of:
(a) the amount that would be recognised in accordance with the Standard of GRAP on Provisions, Contingent liabilities and Contingent assets; and
(b) the amount initially recognised less, if appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from exchange transactions.

Indemnification assets

At the end of each subsequent reporting period, the municipality as acquirer measures an indemnification asset that was recognised at the acquisition date on the same basis as the indemnified liability or asset, subject to any limitations as set in the binding arrangement on its amount and, for an indemnification asset that is not subsequently measured at its fair value, management‘s assessment of the collectability of the indemnification asset. The municipality as acquirer derecognises the indemnification asset only when it collects the asset, sells it or otherwise loses the right to it.

Contingent consideration

Some changes in the fair value of contingent consideration that the municipality as acquirer recognises after the acquisition date may be the result of additional information that the municipality as acquirer obtained after that date about facts and circumstances that existed at the acquisition date. However, changes resulting from events after the acquisition date, such as meeting a performance target, or reaching a milestone on a research and development project, are not measurement period adjustments. The municipality as acquirer accounts for changes in the fair value of contingent consideration that are not measurement period adjustments as follows:
(a) Contingent consideration classified as net assets shall not be remeasured and its subsequent settlement is accounted for within net assets.
(b) Contingent consideration classified as an asset or a liability that:
(i) is a financial instrument and is within the scope of the Standard of GRAP on Financial instruments is measured at fair value, with any resulting gain or loss recognised in surplus or deficit in accordance with that Standard of GRAP.
(ii) is not within the scope of the Standard of GRAP on Financial instruments is accounted for in accordance with the Standard of GRAP on Provisions, Contingent liabilities and Contingent assets or other Standards of GRAP as appropriate.

1.4 Significant judgements and sources of estimation uncertainty

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the amounts represented in the consolidated financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the consolidated financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The economic entity assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The economic entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will revise the depreciation charge where useful lives are different to previously estimated useful lives.

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The economic entity determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the economic entity considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 19.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the economic entity, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

1.5 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the economic entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

1.6 Property, plant and equipment (continued)

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	5 to 30 years
Infrastructure - Security measures	Straight line	7 to 25 years
Infrastructure - Sewerage	Straight line	7 to 60 years
Infrastructure - Water	Straight line	5 to 100 years
Other - Computer equipment	Straight line	3 to 10 years
Other - Furniture and fittings	Straight line	3 to 15 years
Other - Office equipment	Straight line	3 to 15 years
Other - Plant and equipment	Straight line	10 to 15 years
Other - Specialised vehicles	Straight line	5 to 15 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset’s future economic benefits or service potential are expected to be consumed by the economic entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The economic entity assesses at each reporting date whether there is any indication that the economic entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the economic entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the economic entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.6 Property, plant and equipment (continued)

The economic entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note).

The economic entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

1.7 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the economic entity or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the economic entity; and
- the cost or fair value of the asset can be measured reliably.

The economic entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management’s best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Accounting Policies

1.7 Intangible assets (continued)

Item	Depreciation method	Average useful life
Computer software	Straight line	2 to 5 years
Intangible assets under development	Straight line	Infinitive
Servitudes	Straight line	Infinitive

The economic entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.8 Investments in controlled entities

Economic entity consolidated financial statements

Investments in controlled entities are consolidated in the economic entity consolidated financial statements. Refer to the accounting policy on Consolidations (Note).

Controlling entity consolidated financial statements

In the municipality's separate consolidated financial statements, investments in investments in controlled entities are carried at cost.

The municipality applies the same accounting for each category of investment.

The municipality recognises a dividend or similar distribution in surplus or deficit in its separate consolidated financial statements when its right to receive the dividend or similar distribution is established.

Investments in controlled entities that are accounted for in accordance with the accounting policy on Financial instruments in the consolidated consolidated financial statements, are accounted for in the same way in the controlling entity's separate consolidated financial statements.

1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

1.9 Financial instruments (continued)

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the ‘underlying’).
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm’s length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

1.9 Financial instruments (continued)

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	**Category**
Long-term receivables	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Investments	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	**Category**
Annuity loans	Financial liability measured at amortised cost
Finance lease liability	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at fair value

1.9 Financial instruments (continued)

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

1.9 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an economic entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

Accounting Policies

1.9 Financial instruments (continued)

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

1.9 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

1.9 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.10 Tax

Value added tax

The Municipality and South Coast Development Agency accounts for value added tax on the payment basis in accordance with Section 15(2) of the Value Added Tax Act (Act No. 89 of 1991).

Ugu South Coast Tourism accounts for value added tax on the invoice basis in accordance with Section 15(2) of the Value Added Tax Act (Act No. 89 of 1991).

1.11 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

1.11 Leases (continued)

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.12 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the economic entity incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the economic entity.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Consumable stores, maintenance stores, and water:

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value (net amount that the municipality expects to realise from the sale on inventory in the ordinary course of business). If Inventories are to be distributed at no charge or for a nominal charge, they are valued at the lower of cost and current replacement cost.

Water inventory:

1.12 Inventories (continued)

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes, etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, that is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, is therefore not recognised in the statement of financial position.

The basis of determining the cost of water purchased and not yet sold at statement of financial position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the Inventory to its present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the First In First Out Method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

Redundant and slow-moving Inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the measurement of such Inventory at the lower of cost and net realisable value are recognised in the statement of financial performance in the year in which they arise. The amount of any reversal of any write-down of Inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of Inventories recognised as an expense in the period in which the reversal occurs

The carrying amount of Inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

1.13 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the economic entity; or
- (b) the number of production or similar units expected to be obtained from the asset by the economic entity.

Criteria developed by the economic entity to distinguish cash-generating assets from non-cash-generating assets are as follow:

1.13 Impairment of cash-generating assets (continued)

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The economic entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the economic entity estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the economic entity also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the economic entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the economic entity applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the economic entity:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:
- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the economic entity expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

1.13 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the economic entity recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the economic entity determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the economic entity use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:
- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

1.13 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The economic entity assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.14 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

1.14 Impairment of non-cash-generating assets (continued)

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset’s fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the economic entity; or
- (b) the number of production or similar units expected to be obtained from the asset by the economic entity.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The economic entity assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the economic entity estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset’s gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an “optimised” basis. The rationale is that the economic entity would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

1.14 Impairment of non-cash-generating assets (continued)

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the economic entity recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The economic entity assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the economic entity estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.15 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

1.15 Employee benefits (continued)

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity’s actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Accounting Policies

1.15 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

1.15 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

1.15 Employee benefits (continued)

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the consolidated financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

1.15 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other post retirement obligations

The municipality provides post-retirement health care benefits, upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

Accounting Policies

1.15 Employee benefits (continued)

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.16 Provisions and contingencies

Provisions are recognised when:
- the economic entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the economic entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

1.16 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the economic entity

No obligation arises as a consequence of the sale or transfer of an operation until the economic entity is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 44.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The economic entity recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the economic entity for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the economic entity considers that an outflow of economic resources is probable, an economic entity recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.17 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

1.17 Commitments (continued)

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.18 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the economic entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the economic entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the economic entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the economic entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by the proportion that costs incurred to date bear to the total estimated costs of the transaction.

1.18 Revenue from exchange transactions (continued)

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Service charges

Service charges are levied in terms of approved tariffs.

Service charges from water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional metre reading of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional metre reading of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property and water consumption, using the tariffs approved by the Council, and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

Finance income

Interest earned on investments is recognised in the statement of financial performance on the time proportionate basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the statement of financial performance:

(i) Interest earned on unspent conditional grants is allocated directly to the creditor: Unspent conditional grants, if the grant conditions indicate that interest is payable to the funder.

Rentals received

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Tarrif charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant advertised tariff. This includes the issuing of licences and permits.

1.19 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

1.19 Revenue from non-exchange transactions (continued)

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

1.19 Revenue from non-exchange transactions (continued)

Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

Grants in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- Expect to be repaid in future; or
- Expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events giving rise to the transfer occurred.

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the economic entity,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in the statement of financial performance in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

Public contributions and donations received

Public contributions and donations received are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

Assets acquired from non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

Revenue from recovery of unauthorised, irregular and wasteful expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

1.20 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.21 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.22 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.23 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.24 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.25 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or

1.25 Irregular expenditure (continued)

(c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.26 Budget information

Economic Entity are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by economic entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2016-07-01 to 2017-06-30.

The budget for the economic entity includes all the entities approved budgets under its control.

The consolidated financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the consolidated financial statements as the recommended disclosure when the consolidated financial statements and the budget are on the same basis of accounting as determined by National Treasury.

Comparative information is not required.

1.27 Related parties

The economic entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

1.27 Related parties (continued)

Management are those persons responsible for planning, directing and controlling the activities of the economic entity, including those charged with the governance of the economic entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the economic entity.

Only transactions with related parties not at arm’s length or not in the ordinary course of business are disclosed.

1.28 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The economic entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The economic entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.29 Consolidation

Basis of consolidation

Consolidated financial statements are the consolidated financial statements of the economic entity presented as those of a single entity.

The consolidated financial statements incorporate the consolidated financial statements of the controlling entity and all controlled entity, including special purpose entities, which are controlled by the controlling entity.

Control exists when the controlling entity has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities

The results of controlled entities, are included in the consolidated financial statements from the effective date of acquisition or date when control commences to the effective date of disposal or date when control ceases. The difference between the proceeds from the disposal of the controlled entity and its carrying amount as of the date of disposal, including the cumulative amount of any exchange differences that relate to the controlled entity recognised in net assets in accordance with the Standard of GRAP on The Effects of Changes in Foreign Exchange Rates, is recognised in the consolidated statement of financial performance as the surplus or deficit on the disposal of the controlled entity.

An investment in an entity is accounted for in accordance with the Standards of GRAP on Financial Instruments from the date that it ceases to be a controlled entity, unless it becomes an associate or a jointly controlled entity, in which case it is accounted for as such. The carrying amount of the investment at the date that the entity ceases to be a controlled entity is regarded as the fair value on initial recognition of a financial asset in accordance with the Standards of GRAP on Financial Instruments.

The consolidated financial statements of the controlling entity and its controlled entities used in the preparation of the consolidated financial statements are prepared as of the same reporting date.

Accounting Policies

1.29 Consolidation (continued)

When the reporting dates of the controlling entity and a controlled entity are different, the controlled entity prepares, for consolidation purposes, additional consolidated financial statements as of the same date as the controlling entity unless it is impracticable to do so. When the financial statements of a controlled entity used in the preparation of consolidated financial statements are prepared as of a reporting date different from that of the controlling entity, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the controlling entity’s consolidated financial statements. In any case, the difference between the reporting date of the controlled entity and that of the controlling entity shall be no more than three months. The length of the reporting periods and any difference in the reporting dates is the same from period to period.

Adjustments are made when necessary to the consolidated financial statements of the controlled entities to bring their accounting policies in line with those of the controlling entity.

All intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation.

Minority interests in the net assets of the economic entity are identified and recognised separately from the controlling entity's interest therein, and are recognised within net assets. Losses applicable to the minority in a consolidated controlled entity may exceed the minority interest in the controlled entity’s net assets. The excess, and any further losses applicable to the minority, are allocated against the majority interest except to the extent that the minority has a binding obligation to, and is able to, make an additional investment to cover the losses. If the controlled entity subsequently reports surpluses, such surpluses are allocated to the majority interest until the minority’s share of losses previously absorbed by the majority has been recovered.

Minority interests in the surplus or deficit of the economic entity is separately disclosed.

Entity combinations

1.29 Consolidation (continued)

The economic entity accounts for entity combinations using the acquisition method of accounting. The cost of the entity combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued. Costs directly attributable to the entity combination are expensed as incurred, except the costs to issue debt which are amortised as part of the effective interest and costs to issue equity which are included in equity.

Contingent consideration is included in the cost of the combination at fair value as at the date of acquisition. Subsequent changes to the assets, liability or equity which arise as a result of the contingent consideration are not affected against goodwill, unless they are valid measurement period adjustments.

The acquiree's identifiable assets, liabilities and contingent liabilities which meet the recognition conditions of GRAP 107 Business combinations are recognised at their fair values at acquisition date.

Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at acquisition date.

On acquisition, the economic entity assesses the classification of the acquiree's assets and liabilities and reclassifies them where the classification is inappropriate for economic entity purposes. This excludes lease agreements and insurance contracts, whose classification remains as per their inception date.

Non-controlling interest arising from an entity combination is measured either at their share of the fair value of the assets and liabilities of the acquiree or at fair value. The treatment is not an accounting policy choice but is selected for each individual entity combination, and disclosed in the note for entity combinations.

In cases where the economic entity held a non-controlling shareholding in the acquiree prior to obtaining control, that interest is measured to fair value as at acquisition date. The measurement to fair value is included in surplus or deficit for the year. Where the existing shareholding was classified as an available-for-sale financial asset, the cumulative fair value adjustments recognised previously to other net assets are recognised in surplus or deficit as a reclassification adjustment.

Goodwill is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest and less the fair value of the identifiable assets and liabilities of the acquiree.

Goodwill is not amortised but is tested on an annual basis for impairment. If goodwill is assessed to be impaired, that impairment is not subsequently reversed.

Goodwill arising on acquisition of foreign entities is considered an asset of the foreign entity. In such cases the goodwill is translated to the functional currency of the economic entity at the end of each reporting period with the adjustment recognised in net assets.

Consolidated municipal entities

The municipality exercises control in the following companies:

Ugu South Coast Tourism (Pty) Ltd is located and commencing its operations on 1 July 2009 in the Ugu District Municipal area, where the value of the investment is considered to be R100, being the issued share capital.

Ugu South Coast Development Agency, Ray Nkonyeni Municipality (former Hibiscus Coast Local Municipality) has entered in a Memorandum of Understanding to transfer of this company to Ugu District Municipality as from 01 July 2014.

All members serving on the board of directors of the municipal entities are nominated by the municipality’s executive committee.

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the economic entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 108: Statutory Receivables	01 April 2016	The impact of the is not material.
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2016	The impact of the is not material.
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2016	The impact of the is not material.

2.2 Standards and interpretations issued, but not yet effective

The economic entity has not applied the following standards and interpretations, which have been published and are mandatory for the economic entity's accounting periods beginning on or after 01 July 2017 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 34: Separate Financial Statements	01 April 2099	Unlikely there will be a material impact
• GRAP 35: Consolidated Financial Statements	01 April 2099	Unlikely there will be a material impact
• GRAP 36: Investments in Associates and Joint Ventures	01 April 2099	Unlikely there will be a material impact
• GRAP 37: Joint Arrangements	01 April 2099	Unlikely there will be a material impact
• GRAP 38: Disclosure of Interests in Other Entities	01 April 2099	Unlikely there will be a material impact
• GRAP 110: Living and Non-living Resources	01 April 2099	Unlikely there will be a material impact
• GRAP 12 (as amended 2016): Inventories	01 April 2018	Unlikely there will be a material impact
• GRAP 27 (as amended 2016): Agriculture	01 April 2018	Unlikely there will be a material impact
• GRAP31 (as amended 2016): Intangible Assets	01 April 2018	Unlikely there will be a material impact
• GRAP 103 (as amended 2016): Heritage Assets	01 April 2018	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2018	Unlikely there will be a material impact
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecogntion of Land	01 April 2019	Unlikely there will be a material impact
• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018	Unlikely there will be a material impact
• GRAP 20: Related parties	01 April 2017	Unlikely there will be a material impact
• GRAP 26 (as amended 2016): Impairment of cash-generating assets	01 April 2018	Unlikely there will be a material impact
• GRAP 109: Accounting by Principals and Agents	01 April 2017	Unlikely there will be a material impact
• GRAP 21 (as amended 2016): Impairment of non-cash-generating assets	01 April 2018	Unlikely there will be a material impact

Notes to the Consolidated Financial Statements

2. New standards and interpretations (continued)

• GRAP 18 (as amended 2016): Segment Reporting	01 April 2018	Unlikely there will be a material impact
• GRAP 17 (as amended 2016): Property, Plant and Equipment	01 April 2018	Unlikely there will be a material impact
• GRAP 16 (as amended 2016): Investment Property	01 April 2018	Unlikely there will be a material impact
• GRAP 106 (as amended 2016): Transfers of functions between entities not under common control	01 April 2018	Unlikely there will be a material impact

3. Inventories

Consumable stores	6 713 362	4 636 017	6 713 362	4 636 017
Maintenance materials	421 161	6 410 189	421 161	6 410 189
Water	494 886	477 849	494 886	477 849
	7 629 409	**11 524 055**	**7 629 409**	**11 524 055**

The economic entity has identified and measured all inventory in terms of GRAP 12 for the financial year ended 30 June 2017.

The cost of water production for the year amounted to R2,08 per kilolitre (2016: R1,97 per kilolitre).

No inventories have been pledged as collateral for liabilities of the municipality.

4. Long-term receivables

At amortised cost				
Loans and receivables	217 252	240 668	217 252	240 668
Sundry loans are made of recoveries that are receivable from employees as results of damages to municipality belongings and employee has acknowlegded the negligence. The sundry loans are not secured and are interest free. The average term of these loans 1 to 5 years.				
	217 252	240 668	217 252	240 668
Impairments	(127 709)	(127 709)	(127 709)	(127 709)
	89 543	**112 959**	**89 543**	**112 959**
Non-current assets				
At amortised cost	30 812	101 365	30 812	101 365
Current assets				
At amortised cost	58 731	11 594	58 731	11 594

5. Operating lease asset (accrual)

Current assets	45 030	46 289	45 030	46 289
Current liabilities	(142 388)	(108 315)	(56 760)	(55 585)
	(97 358)	**(62 026)**	**(11 730)**	**(9 296)**

Operating leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of non-cancellable operating leases the current assets and current liabilities (accrual) have been recognised as above.

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

5. Operating lease asset (accrual) (continued)

Operating lease asset				
Balance at beginning of year	46 289	28 410	46 289	28 410
Operating lease revenue recorded	383 220	1 111 769	383 220	1 111 769
Operating lease revenue from smoothing	(384 479)	(1 093 890)	(384 479)	(1 093 890)
	45 030	**46 289**	**45 030**	**46 289**

Leasing arrangements

The municipality as lessor:

Operating leases relate to property owned by the municipality with lease terms of between 1 to 3 years, with an option to extend. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

Amounts receivable under operating leases

At the reporting date the following minimum lease payments were receivable under non-cancellable operating leases for property, plant and equipment, which are receivable as follows:

Up to 1 year	241 278	227 621	241 278	227 621
2 to 5 years	432 945	674 223	432 945	674 223
	674 223	**901 844**	**674 223**	**901 844**

The impact of charging the escalations in operating leases on a straight-line basis over the term of the lease has been a decrease in current year income of R45 030 (2016: R46 289).

The following restrictions (if any) have been imposed by the municipality in terms of the (specify) lease agreements:

(i) The lessee shall not have the right to sublet, cede or assign the whole or any portion of the premises let.

(ii) The lessor or its duly authorised agent, representative or servant shall have the right at all reasonable times to inspect the premises let.

(iii) The lessee shall use the premises let for the sole purpose prescribed in the agreement.

Operating lease accrual

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13.

Balance at beginning of year	108 315	69 605	55 585	50 642
Operating lease expenses recorded	3 734 615	2 414 935	2 684 046	1 885 003
Operating lease payments from smoothing	(3 700 542)	(2 376 225)	(2 682 872)	(1 880 060)
	142 388	**108 315**	**56 759**	**55 585**

Leasing arrangements

The municipality as lessee

Operating leases relate to property, plant and equipment with lease terms not longer than 5 years, with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the municipality exercises its option to renew. The municipality does not have an option to purchase the leased asset at the expiry of the lease period.

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

5. Operating lease asset (accrual) (continued)

Amounts payable under operating lease

At the reporting date the municipality had outstanding commitments under non-cancellable operating leases for property, plant and equipment, which fall due as follows:

Within one year	3 477 118	1 729 191	1 751 981	436 369
In the second to third years, inclusive	2 990 958	1 953 228	1 995 746	552 211
Over three years	-	679 488	-	-
	6 468 076	**4 361 907**	**3 747 727**	**988 580**

The following payments have been recognised as an expense in the Statement of Financial Performance:

Minimum lease payments	3 734 615	2 414 935	2 684 046	1 885 003

The municipality has operating lease agreements for the following classes of assets, which are only significant collectively:

- Office equipment

The following restrictions have been imposed on the municipality in terms of the lease agreements on office equipment:

(i) The equipment shall remain the property of the lessor.

(ii) The hirer shall not sell, sublet, cede, assign or delegate any of its rights or obligations on the equipment.

(iii) The equipment shall be returned in good order and condition to the lessor upon termination of the agreement.

(iv) The municipality is obliged to enter into a maintenance agreement with the lessor for the equipment rented.

6. Receivables from non-exchange transactions

Payments made in advance	11 235 490	9 756 709	10 045 723	9 740 266
Ray Nkonyeni Municipality	836 413	-	-	-
Sundry deposits	1 605 132	1 604 432	1 604 432	1 604 432
Sundry debtors	8 271 892	15 770 685	8 271 892	15 770 685
	21 948 927	**27 131 826**	**19 922 047**	**27 115 383**

The average credit period for government grants and subsidies is dependent on the government department involved and the nature of the claim. No interest is charged on outstanding government grants and subsidies. The subsidies are payable to the municipality due to allocations made in the DORA or based on agreements between the municipality and the relevant departments.

Insurance claims are amounts which are claimable in terms of the insurance contract entered into by the municipality. The average waiting period depends on the nature of the claim. No interest is charged on outstanding insurance claims.

Sundry receivables are in respect of debits outstanding at year-end on normal business transactions entered into by the municipality.

The average credit period for receivables is 30 days. No interest is charged for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate, charged by the municipality's banker, plus one percent per annum on the outstanding balance. The municipality strictly enforces its approved credit control policy to ensure the recovery of receivables.

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

6. Receivables from non-exchange transactions (continued)

The municipality does not hold deposits or other security for its receivables.

None of the receivables have been pledged as security for the municipality’s financial liabilities.

The management of the municipality is of the opinion that the carrying value of receivables approximate their fair values.

Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2017, R 5 800 875 (2016: R 7 041 696) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

3 months past due	5 800 875	7 041 696	5 230 875	7 041 696

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	3 275 845	2 865 549	3 275 845	2 865 549
Provision for impairment	-	410 296	-	410 296
	3 275 845	**3 275 845**	**3 275 845**	**3 275 845**

The Provision for Impairment on receivables exists predominantly due to the possibility that these amounts may not be recovered. The receivables were assessed individually and grouped together at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.

The provision for impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.

In determining the recoverability of a receivable, the municipality considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to most of these being sundry in nature.

7. VAT receivable

VAT	18 743 266	29 739 241	18 575 169	29 870 530

VAT for Municipality and South Coast Development Agency is payable on the payments basis. Once cash has been received from customers/receivables, VAT is payable over to SARS. However Ugu South Coast Tourism VAT is payable on the invoice basis. When the invoice is raised an amount of VAT is payable to SARS.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are effected before the due date.

8. Receivables from exchange transactions

Gross balances				
Water rates	60 938 466	55 311 968	60 938 466	55 311 968
Water	250 861 939	202 564 723	250 861 939	202 564 723
Sewerage	72 063 342	61 824 904	72 063 342	61 824 904
Other trade	7 425 630	6 694 922	6 717 723	6 253 194
	391 289 377	**326 396 517**	**390 581 470**	**325 954 789**

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

8. Receivables from exchange transactions (continued)

Less: Allowance for impairment				
Water rates	(49 470 129)	(48 819 652)	(49 470 129)	(48 819 652)
Water	(184 127 756)	(166 659 305)	(184 127 756)	(166 659 305)
Sewerage	(52 655 459)	(47 066 190)	(52 655 459)	(47 066 190)
Other trade	(3 732 107)	(3 732 107)	(3 732 107)	(3 732 107)
	(289 985 451)	**(266 277 254)**	**(289 985 451)**	**(266 277 254)**
Net balance				
Water rates	11 468 337	6 492 316	11 468 337	6 492 316
Water	66 734 183	35 905 418	66 734 183	35 905 418
Sewerage	19 407 883	14 758 714	19 407 883	14 758 714
Other trade	3 693 523	2 962 815	2 985 616	2 521 087
	101 303 926	**60 119 263**	**100 596 019**	**59 677 535**
Water rates				
Current (0 -30 days)	202 931	1 009 332	202 931	1 009 332
31 - 60 days	7 101	9 897	7 101	9 897
61 - 90 days	1 974	11 460	1 974	11 460
91 - 120 days	26 852	14 458	26 852	14 458
121 - 360 days	255 175	2 141 373	255 175	2 141 373
> 360 days	10 974 304	3 305 796	10 974 304	3 305 796
	11 468 337	**6 492 316**	**11 468 337**	**6 492 316**
Water				
Current (0 -30 days)	21 929 950	10 891 693	21 929 950	10 891 693
31 - 60 days	9 237 905	3 904 049	9 237 905	3 904 049
61 - 90 days	7 848 675	2 330 862	7 848 675	2 330 862
91 - 120 days	3 844 026	3 737 443	3 844 026	3 737 443
121 - 360 days	8 905 984	10 831 076	8 905 984	10 831 076
> 360 days	14 967 643	4 210 295	14 967 643	4 210 295
	66 734 183	**35 905 418**	**66 734 183**	**35 905 418**
Sewerage				
Current (0 -30 days)	8 720 300	6 983 017	8 720 300	6 983 017
31 - 60 days	3 560 882	1 820 177	3 560 882	1 820 177
61 - 90 days	2 542 895	698 929	2 542 895	698 929
91 - 120 days	1 008 582	1 331 171	1 008 582	1 331 171
121 - 360 days	1 950 456	1 703 413	1 950 456	1 703 413
> 360 days	1 624 768	2 222 007	1 624 768	2 222 007
	19 407 883	**14 758 714**	**19 407 883**	**14 758 714**
Other trade				
Current (0 -30 days)	724 223	441 728	-	-
31 - 60 days	48 402	-	-	-
91 - 120 days	2 914 366	2 521 087	2 985 616	2 521 087
121 - 360 days	6 532	-	-	-
	3 693 523	**2 962 815**	**2 985 616**	**2 521 087**

Notes to the Consolidated Financial Statements

8. Receivables from exchange transactions (continued)

Summary of debtors by customer classification

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016
Households				
Current (0 -30 days)	21 911 228	21 212 377	21 911 228	21 212 377
31 - 60 days	11 685 124	6 975 531	11 685 124	6 975 531
61 - 90 days	12 983 166	6 957 446	12 983 166	6 957 446
91 - 120 days	9 232 279	6 663 205	9 232 279	6 663 205
121 - 360 days	54 431 298	50 287 123	54 431 298	50 287 123
> 360 days	147 766 129	172 041 479	147 766 129	172 041 479
	258 009 224	264 137 161	258 009 224	264 137 161
Less: Allowance for impairment	(227 799 839)	(226 327 993)	(227 799 839)	(226 327 993)
	30 209 385	**37 809 168**	**30 209 385**	**37 809 168**
Industrial/ commercial				
Current (0 -30 days)	11 505 705	9 563 930	10 781 582	9 563 930
31 - 60 days	3 121 644	3 078 345	3 073 242	3 078 345
61 - 90 days	3 039 231	2 035 941	3 039 231	2 035 941
91 - 120 days	2 237 627	1 682 440	2 237 627	1 682 440
121 - 360 days	12 423 841	13 817 815	12 417 609	13 817 815
> 360 days	20 782 026	15 749 941	20 782 026	15 749 941
	53 110 074	45 928 412	52 331 317	45 928 412
Less: Allowance for impairment	(41 627 667)	(32 608 035)	(41 627 667)	(32 608 035)
	11 482 407	**13 320 377**	**10 703 650**	**13 320 377**
National and provincial government				
Current (0 -30 days)	4 005 519	5 323 487	4 005 519	5 323 487
31 - 60 days	1 342 572	1 285 679	1 342 572	1 285 679
61 - 90 days	1 159 574	1 235 648	1 159 574	1 235 648
91 - 120 days	778 548	2 242 510	778 548	2 242 510
121 - 360 days	6 347 466	5 094 221	6 347 466	5 094 221
> 360 days	3 177 091	707 671	3 177 091	707 671
	16 810 770	15 889 216	16 810 770	15 889 216
Less: Allowance for impairment	(12 768 275)	(7 341 226)	(12 768 275)	(7 341 226)
	4 042 495	**8 547 990**	**4 042 495**	**8 547 990**
Total				
Current (0 -30 days)	37 422 452	36 099 795	36 698 229	36 099 795
31 - 60 days	16 149 340	11 339 555	16 100 938	11 339 555
61 - 90 days	17 181 972	10 229 035	17 181 972	10 229 035
91 - 120 days	12 248 454	10 588 155	12 248 454	10 588 155
121 - 360 days	73 202 605	69 201 056	73 196 373	69 201 056
> 360 days	235 084 554	188 497 193	235 155 504	188 497 193
	391 289 377	325 954 789	390 581 470	325 954 789
Less: Allowance for impairment	(289 985 451)	(265 835 526)	(289 985 451)	(266 277 254)
	101 303 926	**60 119 263**	**100 596 019**	**59 677 535**
Less: Allowance for impairment				
Current (0 -30 days)	(5 845 049)	(10 036 852)	(5 845 049)	(10 036 852)
31 - 60 days	(3 295 050)	(3 639 614)	(3 295 050)	(3 639 614)
61 - 90 days	(6 788 428)	(4 488 323)	(6 788 428)	(4 488 323)
91 - 120 days	(7 368 993)	(5 504 884)	(7 368 993)	(5 504 884)

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

8. Receivables from exchange transactions (continued)

121 - 360 days	(65 816 865)	(50 517 837)	(65 816 865)	(50 517 837)
> 360 days	(200 871 066)	(192 089 744)	(200 871 066)	(192 089 744)
	(289 985 451)	**(266 277 254)**	**(289 985 451)**	**(266 277 254)**

Reconciliation of allowance for impairment

Balance at beginning of the year	(266 277 254)	(170 378 206)	(266 277 254)	(170 378 206)
Contributions to allowance	(36 084 926)	(95 961 516)	(36 084 926)	(95 961 516)
Debt impairment written off against allowance	12 376 729	62 468	12 376 729	62 468
	(289 985 451)	**(266 277 254)**	**(289 985 451)**	**(266 277 254)**

No receivables from exchange transactions have been pledged as collateral for liabilities of the municipality.

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	14 220 880	59 299 039	6 750 639	43 554 709
Short-term deposits	174 971 908	219 254 093	173 750 098	215 203 330
Other cash and cash equivalents	8 933	13 892	2 950	4 967
Bank overdraft	(150 443)	(2 306 145)	(150 443)	(2 306 145)
	189 051 278	**276 260 879**	**180 353 244**	**256 456 861**

Current assets	189 201 721	278 567 024	180 503 687	258 763 006
Current liabilities	(150 443)	(2 306 145)	(150 443)	(2 306 145)
	189 051 278	**276 260 879**	**180 353 244**	**256 456 861**

For the purposes of the Statement of Financial Position and the Cash Flow Statement, cash and cash equivalents include cash-on-hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts.

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

Credit rating				
Long-term (AA+) Short-term (F1+)	23 154 848	111 228 408	14 462 797	91 433 317
Long-term (AA) Short-term (F1+)	45 736 436	30 000 000	45 736 436	30 000 000
Long-term (BB+) Short-term (F1)	75 000 000	70 000 000	75 000 000	70 000 000
Long-term (B) Short-term (F1)	45 151 061	65 018 578	45 151 061	65 018 578
	189 042 345	**276 246 986**	**180 350 294**	**256 451 895**

The municipality did not pledge any of its cash and cash equivalents as collateral for its financial liabilities.

9. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	**Bank statement balances**			**Cash book balances**		
	30 June 2017	**30 June 2016**	**30 June 2015**	**30 June 2017**	**30 June 2016**	**30 June 2015**
ABSA BANK - Port Shepstone - Account Number 406 668 6529 (Primary Bank Account):	544 163	726 453	83 756	(132 177)	456 884	(16 321 139)
ABSA BANK - Port Shepstone - Account Number 406 668 6472 (General Bank Account):	2 191 339	5 176 442	3 223 171	1 140 847	(2 306 145)	(5 017 457)
ABSA BANK - Port Shepstone - Account Number 406 668 6294 (Collection Account):	918 661	798 319	83 316	894 726	774 383	59 381
ABSA BANK - Port Shepstone - Account Number 406 671 0647 (Consumer Deposits Bank Account):	1 149 078	2 173 512	740 365	(18 266)	748 578	(66 618)
ABSA BANK - Port Shepstone - Account Number 406 660 3763 (Salaries Account):	195 614	118 612	(56 150)	195 614	118 612	(56 150)
ABSA BANK - Port Shepstone - Account Number 406 757 0977 (Sanlam Group Life Account):	4 468 607	4 243 781	4 165 110	4 468 607	4 243 781	4 165 110
ABSA BANK - Port Shepstone - Account Number 406 668 6367 (MIG Project Account):	50 836	50 896	(4 690 825)	50 836	50 896	(4 690 825)
ABSA BANK - Port Shepstone - Account Number 407 187 0797 (Disaster Account):	172 122	81 731	-	172 122	81 731	-
ABSA BANK - Port Shepstone - Account Number 407 755 1917 (Conditional Grants Account):	9	37 161 575	32 765 471	9	37 161 575	32 765 471
Account Number 406 757 0008 (ABSA Call Account):	7 690 000	50 102 543	36 326 397	7 690 000	50 102 543	36 326 397
Account Number 908 888 2297 (ABSA Notice Deposit):	454	-	-	479	479	-
Account Number 625 155 61357 (FNB Call Account):	19 320	18 578	18 226	19 320	18 578	18 226
Account Number 746 266 34832 (FNB Call Account):	45 131 741	65 000 000	45 000 000	45 131 741	65 000 000	45 000 000
Account Number 058 905 324 040 (Standard Bank Notice Deposit):	45 736 436	30 000 000	45 000 000	45 736 436	30 000 000	45 000 000
Account Number 764 855 2728 (Nedbank Fixed Deposit Account):	40 000 000	30 000 000	30 000 000	40 000 000	30 000 000	30 000 000
Account Number 1100 - 458627 (Investec Call Deposit):	35 000 000	40 000 000	65 000 000	35 000 000	40 000 000	65 000 000
Ithala Bank Account: Short - term investment	-	-	734 892	-	-	734 892
Bank Accounts for Ugu South Coast Tourism	**Bank statement balances**			**Cash book balances**		
ABSA Bank - KZN Public Sector Branch Account Number: 407 403 6586	1 214 338	274 351	113 435	1 223 818	283 445	125 460

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

9. Cash and cash equivalents (continued)

ABSA Bank - KZN Public Sector Branch Account Number: 923 286 9178	4 627 029	15 414 065	13 319 582	4 627 029	15 414 065	13 319 582
ABSA Bank - KZN Public Sector Branch Account Number: 409 052 1454	1 554 515	-	-	1 554 515	-	-
ABSA Bank - Rental Guarantee, Account Number: 206 967 8591*	40 974	38 334	36 000	40 974	38 334	36 000
Account number / description	**Bank statement balances**			**Cash book balances**		
Investec Bank: Account Number 1100 4844 51450	-	1 407 931	-	-	1 407 931	-
Investec Bank: Account Number 1100 4844 51452	-	642 832	-	-	642 832	-
Investec Bank: Account Number 1100 4844 51499	-	2 000 000	-	-	2 000 000	-
ABSA Bank: Account Number 405 752 5673	23 904	8 485	132 358	23 905	8 484	132 358
ABSA Bank: Account Number 932 264 8008	1 221 810	-	-	1 221 810	-	-
Total	**191 950 950**	**285 438 440**	**271 995 104**	**189 042 345**	**276 246 986**	**246 530 688**

* The guarantee held by ABSA Bank is ceded to JHI Properties (Pty) Ltd, for a rental deposit for the Tourism Office in Shelly Centre. It is a 5 year lease which expires 31 October 2019. However, the guarantee is in place until 31 January 2020 (3 months after end of the lease).

10. Investment property

Economic entity	2017			2016		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	39 342 482	-	39 342 482	29 500 000	-	29 500 000

Controlling entity	2017			2016		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	30 242 482	-	30 242 482	29 500 000	-	29 500 000

Reconciliation of investment property - Economic entity - 2017

	Opening balance	**Additions**	**Fair value adjustments**	**Total**
Investment property	29 500 000	9 991 792	(149 310)	39 342 482

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

10. Investment property (continued)

Reconciliation of investment property - Economic entity - 2016

	Opening balance	Fair value adjustments	Total
Investment property	29 403 251	96 749	29 500 000

Reconciliation of investment property - Controlling entity - 2017

	Opening balance	Additions	Fair value adjustments	Total
Investment property	29 500 000	642 482	100 000	30 242 482

Reconciliation of investment property - Controlling entity - 2016

	Opening balance	Fair value adjustments	Total
Investment property	29 403 251	96 749	29 500 000

Fair value of investment properties	39 550 282	29 500 000	30 242 482	29 500 000

The Municipality has classified the Ugu Fresh Produce Market, and Ugu Sports & Leisure Center, as investment property in terms of its asset management policy.

Ugu Fres Produce Market is situated at Bhobhoyi – in the Port Shepstone Town Planning Scheme, lot no 3249 and measures approximately 85 000 square metres. The market offers 18 vendor stalls for retailers, refrigerated storage, a wholesale/agents sales hall, a state-of-the-art multi-purpose ripening facility, an office block, ample parking space, a taxi rank and plenty ablution facilities. The whole facility is secured with 24-hour security guards.

Ugu Sports and Leisure Center is situated on portion 7 of the Farm Burliegh ET 5100. The Sports and Leisure is consist of Main Building, Indoor Sports Hall and Sports Fields.

The municipality uses the fair value model to value its investment properties. For the year ending 30 June 2016 a fair value assessment was undertaken by Pierre Rynners Valuers. The valuation methodology applied is the income capitalisation approach, were by the net rental income is capitalised at an appropriate rate, in order to arrive at an estimate of market value. A fair value adjustment has been affected in the financial statements valuation.

The acquisition of the R 9,991,792 Ifafa beach land, the land has been acquired for development projects. The land has been acquired by Ugu South Coast Development Agency for its development projects. For the year ending 30 June 2016 a fair value assessment was undertaken by Norman E. Maurice (Professional Valuer). The description of the property: The remainder of Portion 1 of the farm Elysium No 15582, situated in Umdoni Municipal Area, Redistration Division ET, in extent 92, 4433 hectares.

Pledged as security

No investment properties have been pledged as collateral for liabilities of the municipality.

Revenue and expenditure disclosed in the Statement of Financial Performance include the following:				
Rental revenue earned from investment property	417 557	1 099 193	417 557	1 099 193
Direct operating expenses	(1 137 950)	(1 103 654)	(1 137 950)	(1 103 654)
	(720 393)	**(4 461)**	**(720 393)**	**(4 461)**

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

11. Property, plant and equipment

Economic entity	2017			2016		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Buildings	181 882 495	(38 309 670)	143 572 825	179 890 618	(35 830 266)	144 060 352
Buildings - Work in progress	24 840 831	-	24 840 831	18 540 834	-	18 540 834
Infrastructure	7 108 347 714	(4 749 362 582)	2 358 985 132	7 015 115 608	(4 579 870 818)	2 435 244 790
Infrastructure - Work in progress	1 496 885 616	(146 165 269)	1 350 720 347	1 352 525 462	(146 165 269)	1 206 360 193
Other property, plant and equipment	167 164 577	(115 590 651)	51 573 926	155 444 172	(109 000 247)	46 443 925
Other property, plant and equipment - Work in progress	-	-	-	1 407 615	(1 407 615)	-
Total	**8 979 121 233**	**(5 049 428 172)**	**3 929 693 061**	**8 722 924 309**	**(4 872 274 215)**	**3 850 650 094**

Controlling entity	2017			2016		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Buildings	181 882 495	(38 309 670)	143 572 825	179 890 618	(35 830 266)	144 060 352
Buildings - Work in progress	24 840 831	-	24 840 831	18 540 834	-	18 540 834
Infrastructure	7 108 347 714	(4 749 362 582)	2 358 985 132	7 015 115 608	(4 579 870 818)	2 435 244 790
Infrastructure - Work in progress	1 496 885 616	(146 165 269)	1 350 720 347	1 352 525 462	(146 165 269)	1 206 360 193
Other property, plant and equipment	164 781 461	(114 700 979)	50 080 482	153 329 304	(108 328 257)	45 001 047
Other property, plant and equipment - Work in progress	-	-	-	1 407 615	(1 407 615)	-
Total	**8 976 738 117**	**(5 048 538 500)**	**3 928 199 617**	**8 720 809 441**	**(4 871 602 225)**	**3 849 207 216**

Notes to the Consolidated Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Economic entity - 2017

	Opening balance	Additions	Disposals	Transfers received	Transfers	Transfers to entities not under common control	Depreciation	Impairment loss	Total
Buildings	144 060 352	1 991 878	-	-	-	-	(2 479 405)	-	143 572 825
Buildings - Work in progress	18 540 834	6 299 997	-	-	-	-	-	-	24 840 831
Infrastructure	2 435 244 790	24 333 060	-	117 485 953	-	(30 512 574)	(185 808 493)	(1 757 604)	2 358 985 132
Infrastructure - Work in progress	1 206 360 193	261 846 107	-	-	(117 485 953)	-	-	-	1 350 720 347
Other property, plant and equipment	46 443 925	15 736 258	(309 219)	-	-	-	(9 940 194)	(356 844)	51 573 926
	3 850 650 094	**310 207 300**	**(309 219)**	**117 485 953**	**(117 485 953)**	**(30 512 574)**	**(198 228 092)**	**(2 114 448)**	**3 929 693 061**

Reconciliation of property, plant and equipment - Economic entity - 2016

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Buildings	138 375 805	76 400	-	8 056 972	-	(2 448 825)	-	144 060 352
Buildings - Work in progress	10 206 590	16 391 216	-	-	(8 056 972)	-	-	18 540 834
Infrastructure	2 534 339 547	12 553 029	-	69 680 716	-	(180 908 294)	(420 208)	2 435 244 790
Infrastructure - Work in progress	1 104 076 684	318 129 493	-	-	(69 680 716)	-	(146 165 268)	1 206 360 193
Other property, plant and equipment	40 361 416	15 034 829	(247 304)	64 590	-	(8 769 606)	-	46 443 925
Ancillary fleet equipment and security	1 407 615	-	-	-	-	-	(1 407 615)	-
	3 828 767 657	**362 184 967**	**(247 304)**	**77 802 278**	**(77 737 688)**	**(192 126 725)**	**(147 993 091)**	**3 850 650 094**

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Controlling entity - 2017

	Opening balance	Additions	Disposals	Transfers received	Transfers	Transfers to entities not under common control	Depreciation	Impairment loss	Total
Buildings	144 060 352	1 991 878	-	-	-	-	(2 479 405)	-	143 572 825
Buildings - Work in progress	18 540 834	6 299 997	-	-	-	-	-	-	24 840 831
Infrastructure	2 435 244 790	24 333 060	-	117 485 953	-	(30 512 574)	(185 808 493)	(1 757 604)	2 358 985 132
Infrastructure - Work in progress	1 206 360 193	261 846 107	-	-	(117 485 953)	-	-	-	1 350 720 347
Other property, plant and equipment	45 001 047	15 432 562	(299 058)	-	-	-	(9 697 225)	(356 844)	50 080 482
	3 849 207 216	**309 903 604**	**(299 058)**	**117 485 953**	**(117 485 953)**	**(30 512 574)**	**(197 985 123)**	**(2 114 448)**	**3 928 199 617**

Reconciliation of property, plant and equipment - Controlling entity - 2016

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Buildings	138 375 805	76 400	-	8 056 972	-	(2 448 825)	-	144 060 352
Buildings - Work in progress	10 206 590	16 391 216	-	-	(8 056 972)	-	-	18 540 834
Infrastructure	2 534 339 547	12 553 029	-	69 680 716	-	(180 908 294)	(420 208)	2 435 244 790
Infrastructure - Work in progress	1 104 076 684	318 129 493	-	-	(69 680 716)	-	(146 165 268)	1 206 360 193
Other property, plant and equipment	40 183 059	14 131 729	(227 505)	64 590	-	(9 150 826)	-	45 001 047
Other property, plant and equipment - Work in progress	1 407 615	-	-	-	-	-	(1 407 615)	-
	3 828 589 300	**361 281 867**	**(227 505)**	**77 802 278**	**(77 737 688)**	**(192 507 945)**	**(147 993 091)**	**3 849 207 216**

The prior year comparative balances have been accordingly restated retrospectively. (See note: 46)

11. Property, plant and equipment (continued)

Pledged as security

No property, plant and equipment have been pledged as collateral for liabilities of the municipality.

Depreciation rates

Land	Straight line	Indefinite
Buildings	Straight line	5 to 30 years
Furniture and fixtures	Straight line	3 to 15 years
Motor vehicles	Straight line	4 to 15 years
Office equipment	Straight line	3 to 15 years
IT equipment	Straight line	3 to 10 years
Infrastructure - Security measures	Straight line	7 to 25 years
Infrastructure - Sewerage	Straight line	7 to 60 years
Infrastructure - Water	Straight line	5 to 100 years
Other property, plant and equipment	Straight line	2 to 15 years
Other assets	Straight line	5 to 30 years
Sport Facilities	Straight line	5 to 30 years
Other facilities	Straight line	5 to 30 years
Specialised vehicles	Straight line	10 to 15 years

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance				
Employee related costs	2 094 687	1 676 083	2 094 687	1 676 083
Contracted services	67 134 510	63 151 219	66 980 699	63 008 980
Inventory	16 973 580	12 598 312	16 973 580	12 598 312
	86 202 777	**77 425 614**	**86 048 966**	**77 283 375**

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

12. Intangible assets

Economic entity	2017			2016		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Website and software	111 054	(60 068)	50 986	100 385	(56 954)	43 431
Computer software	45 053 143	(31 444 869)	13 608 274	36 753 534	(27 951 995)	8 801 539
Servitudes	2 659 160	-	2 659 160	2 659 160	-	2 659 160
Total	**47 823 357**	**(31 504 937)**	**16 318 420**	**39 513 079**	**(28 008 949)**	**11 504 130**

12. Intangible assets (continued)

Controlling entity	2017			2016		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software	45 053 143	(31 444 869)	13 608 274	36 753 534	(27 951 995)	8 801 539
Servitudes	2 659 160	-	2 659 160	2 659 160	-	2 659 160
Total	**47 712 303**	**(31 444 869)**	**16 267 434**	**39 412 694**	**(27 951 995)**	**11 460 699**

Reconciliation of intangible assets - Economic entity - 2017

	Opening balance	Additions	Disposals	Amortisation	Total
Website and software	43 431	18 860	(230)	(11 075)	50 986
Computer software	8 801 539	8 299 609	-	(3 492 874)	13 608 274
Servitudes	2 659 160	-	-	-	2 659 160
	11 504 130	**8 318 469**	**(230)**	**(3 503 949)**	**16 318 420**

Reconciliation of intangible assets - Economic entity - 2016

	Opening balance	Additions	Transfers received	Amortisation	Total
Website and software	47 234	5 877	-	(9 680)	43 431
Computer software	6 274 486	4 895 935	72 778	(2 441 660)	8 801 539
Servitudes	2 659 160	-	-	-	2 659 160
	8 980 880	**4 901 812**	**72 778**	**(2 451 340)**	**11 504 130**

Reconciliation of intangible assets - Controlling entity - 2017

	Opening balance	Additions	Amortisation	Total
Computer software	8 801 539	8 299 609	(4 178 665)	12 922 483
Servitudes	2 659 160	-	-	2 659 160
	11 460 699	**8 299 609**	**(4 178 665)**	**15 581 643**

Reconciliation of intangible assets - Controlling entity - 2016

	Opening balance	Additions	Transfers received	Amortisation	Total
Computer software	6 274 486	4 895 935	72 778	(2 441 660)	8 801 539
Servitudes	2 659 160	-	-	-	2 659 160
	8 933 646	**4 895 935**	**72 778**	**(2 441 660)**	**11 460 699**

The amortisation expense has been included in the line item “Depreciation and amortisation” in the Statement of Financial Performance (see note 31)

Pledged as security

No intangible assets have been pledged as security for any liabilities of municipality.

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

12. Intangible assets (continued)

Restrictions

The following restrictions apply to Intangible Assets:

- Financial Software:

(i) The system is non-assignable, non-transferable, and the municipality has no exclusive rights to use the system

(ii) The system may be used on only one database at any one time.

(iii) The municipality, as the licensee, shall not grant usage of, or distribute, the system in its original or modified form, to a third party for the third party's benefit.

(iv) The municipality has no intellectual property rights to the system.

Refer to Appendix "B" for more detail on Intangible Assets.

Other information

A brief description of significant intangible assets controlled by the economic entity but not recognised as assets because they did not meet the recognition criteria in this Standard or because they were acquired or generated before the version of IAS 38 Intangible Assets issued in 1998 was effective.

Intangible assets with indefinite lives:

Carrying value of servitudes: sewerage reticulation	1 486 723	1 486 723	1 486 723	1 486 723
Carrying value of servitudes: water reticulation	1 172 437	1 172 437	1 172 437	1 172 437
	2 659 160	**2 659 160**	**2 659 160**	**2 659 160**

Servitudes are regarded as having indefinite useful lives as they are registered permanently, the agreements not having a maturing date.

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

13. Investments in controlled entities

Name of company	Held by	% holding 2017	% holding 2016	Carrying amount 2017	Carrying amount 2016
Ugu South Coast Tourism (Pty) Ltd	Ugu District Municipality	100,00 %	100,00 %	100	100
Ugu South Coast Development Agency NPC	Ugu District Municipality	100,00 %	100,00 %	100	100
				200	**200**

Grants allocated to the entities:				
Ugu South Coast Tourism (Pty) Ltd	-	-	11 925 726	11 595 930
South Coast Development Agency NPC	-	-	5 512 500	5 250 000
	-	**-**	**17 438 226**	**16 845 930**

The carrying amounts of controlled entities are shown net of impairment losses.

The municipality exercises control in the following companies:

Ugu South Coast Tourism (Pty) Ltd is located and commencing its operations on 1 July 2009 in the Ugu District Municipal area, where the value of the investment is considered to be R100, being the issued share capital.

Ugu South Coast Development Agency, Ray Nkonyeni Municipality (former Hibiscus Coast Local Municipality) has entered in a Memorandum of Understanding to transfer of this company to Ugu District Municipality as from 01 July 2014.

All members serving on the board of directors of the municipal entity are nominated by the municipality’s executive committee.

14. Long-term liabilities

At amortised cost				
Annuity Loans	126 521 313	145 553 238	126 521 313	145 553 238
The average annuity loans period varying from 1 to 13 (2016: 1 to 14) years and at interest rates varying from 2,65% to 11,51% (2016: 2,65% to 11,5%) per annum. Annuity loans are not secured.				

Refer to Appendix “A” for more detail on external loans.

Non-current liabilities				
At amortised cost	104 930 511	125 825 541	104 930 511	125 825 541
Current liabilities				
At amortised cost	21 590 802	19 727 697	21 590 802	19 727 697

15. Payables from exchange transactions

Trade payables	27 114 047	35 535 969	26 146 043	34 785 640
Other creditors	83 183 043	92 903 477	83 183 043	92 903 477
Retentions	50 498 720	37 102 691	50 498 720	37 102 691
Staff bonuses	12 055 560	11 605 395	12 055 560	11 605 395
	172 851 370	**177 147 532**	**171 883 366**	**176 397 203**

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

16. Consumer deposits

Water	20 830 963	20 606 607	20 830 963	20 606 607

Guarantees held in lieu of water deposits	495 780	495 780	495 780	495 780

No interest is paid on customer the water deposits held.

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts				
National government grants	-	3 649 968	-	3 649 968
Provincial government grants	1 000 000	-	-	-
Other spheres of government	400 000	5 079 952	400 000	5 079 952
	1 400 000	**8 729 920**	**400 000**	**8 729 920**

Movement during the year

Balance at the beginning of the year	8 729 920	21 365 817	8 729 920	21 365 817
Additions during the year	700 250 451	725 707 518	693 108 032	720 745 868
Income recognition during the year	(707 580 371)	(738 343 415)	(701 437 952)	(733 381 765)
	1 400 000	**8 729 920**	**400 000**	**8 729 920**

The nature and extent of government grants recognised in the consolidated financial statements and an indication of other forms of government assistance from which the economic entity has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 25 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

18. Provisions

Reconciliation of provisions - Economic entity - 2017

	Opening Balance	**Increase/ (Reduction) due to re-measurement or settlement without cost to entity**	**Total**
Current portion of post-retirement medical aid benefits liability	1 026 636	5 756	1 032 392
Current portion of long-service awards	2 381 593	(823 967)	1 557 626
Performance bonus provision	1 137 882	203 030	1 340 912
Leave pay provision	21 169 502	3 681 320	24 850 822
	25 715 613	**3 066 139**	**28 781 752**

Reconciliation of provisions - Economic entity - 2016

	Opening Balance	**Increase/ (Reduction) due to re-measurement or settlement without cost to entity**	**Total**
Current portion of post-retirement medical aid benefits liability	944 676	81 960	1 026 636
Current portion of long-service awards	871 315	1 510 278	2 381 593
Performance bonus provision	703 709	434 173	1 137 882
Leave pay provision	17 749 075	3 420 427	21 169 502
	20 268 775	**5 446 838**	**25 715 613**

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

18. Provisions (continued)

Reconciliation of provisions - Controlling entity - 2017

	Opening Balance	**Reduction due to re-measurement or settlement without cost to entity**	**Total**
Current portion of post-retirement medical aid benefits liability	1 026 636	5 756	1 032 392
Current portion of long-service awards	2 381 593	(823 967)	1 557 626
Performance bonus provision	839 695	50 382	890 077
Leave pay provision	20 909 413	3 366 382	24 275 795
	25 157 337	**2 598 553**	**27 755 890**

Reconciliation of provisions - Controlling entity - 2016

	Opening Balance	**Reduction due to re-measurement or settlement without cost to entity**	**Total**
Current portion of post-retirement medical aid benefits liability	944 676	81 960	1 026 636
Current portion of long-service awards	871 315	1 510 278	2 381 593
Performance bonus provision	571 221	268 474	839 695
Leave pay provision	17 374 373	3 535 040	20 909 413
	19 761 585	**5 395 752**	**25 157 337**

19. Retirement benefit liabilities

Defined benefit plan

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

19. Retirement benefit liabilities (continued)

Post-retirement health care benefits liability				
Balance at beginning of year	15 571 785	15 250 105	15 571 785	15 250 105
Contributions to provision	2 133 326	2 133 131	2 133 326	2 133 131
Balance at end of year	17 705 111	17 383 236	17 705 111	17 383 236
Transfer to current provisions	(1 032 392)	(1 026 636)	(1 032 392)	(1 026 636)
Actuarial loss/(gain)	(670 562)	(784 815)	(670 562)	(784 815)
	16 002 157	**15 571 785**	**16 002 157**	**15 571 785**

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member is entitled to continue as a member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2017 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

The members of the post-employment health care benefit plan are made up as follows:

In-service members (employees)	540	511	540	511
Continuation members	53	55	53	55
	593	**566**	**593**	**566**

The unfunded liability in respect of past service has been estimated as follows:

In-service members (employees)	8 697 510	7 817 539	8 697 510	7 817 539
Continuation members	8 337 039	8 780 882	8 337 039	8 780 882
	17 034 549	**16 598 421**	**17 034 549**	**16 598 421**

The current-service cost for the year ending 30 June 2017 is estimated to be R692 810, whereas the cost for the ensuing year is estimated to be R733 733 (30 June 2016: R746 952 and R692 810 respectively).

Key assumptions used

The principal assumptions used for the purposes of the actuarial valuations was as follows:

Discount rates	8.95%	8.81%	8.95%	8.81%
Health care cost inflation	8.09%	7.95%	8.09%	7.95%
Net effective discount rate	0.80%	0.80%	0.80%	0.80%
Expected retirement age - females	63	63	63	63
Expected retirement age - males	63	63	63	63

Movements in the present value of the defined benefit obligation were as follows:

Balance at beginning of the year	16 598 421	16 194 781	16 598 421	16 194 781
Current services costs	692 810	746 952	692 810	746 952

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

19. Retirement benefit liabilities (continued)

Interest cost	1 440 516	1 386 179	1 440 516	1 386 179
Benefits paid	(1 026 636)	(944 676)	(1 026 636)	(944 676)
	17 705 111	17 383 236	17 705 111	17 383 236
Actuarial loss/(gain)	(670 562)	(784 815)	(670 562)	(784 815)
	17 034 549	**16 598 421**	**17 034 549**	**16 598 421**

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	692 810	746 952	692 810	746 952
Interest cost	1 440 516	1 386 179	1 440 516	1 386 179
Actuarial losses/(gains)	(670 562)	(784 815)	(670 562)	(784 815)
	1 462 764	**1 348 316**	**1 462 764**	**1 348 316**

The history of experienced adjustments is as follows:

	2017	**2016**	**2015**	**2014**	**2013**	**2012**
Present value of defined benefit obligation	17 035 000	16 598 421	16 194 781	14 405 969	22 229 850	19 731 792
Deficit	17 035 000	16 598 421	16 194 781	14 405 969	22 229 850	19 731 792
Experienced adjustments on plan liabilities	(288 000)	(550 000)	729 000	(583 000)	(488 790)	(6 769 737)
	16 747 000	**16 048 421**	**16 923 781**	**13 822 969**	**21 741 060**	**12 962 055**

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

2017	**Once percentage point increase**	**One percentage point decrease**	**Once percentage point increase**	**One percentage point decrease**
Effect on the aggregate of the current service cost and the interest cost	3 500	(4 400)	3 500	(4 400)
Effect on defined benefit obligation	(89 000)	104 500	(89 000)	104 500
	(85 500)	**100 100**	**(85 500)**	**100 100**

2016	**Once percentage point increase**	**One percentage point decrease**	**Once percentage point increase**	**One percentage point decrease**
Effect on the aggregate of the current service cost and the interest cost	3 500	(4 400)	3 500	(4 400)
Effect on defined benefit obligation	(89 000)	104 000	(89 000)	104 000
	(85 500)	**99 600**	**(85 500)**	**99 600**

The municipality expects to make contribution of R2,245 million (2016: R2,133 million) to the defined benefit plans during the next financial year.

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

20. Other long-term employee benefits

Provision for long service awards	15 456 907	14 010 102	15 456 907	14 010 102

The movement in non-current provisions are reconciled as follows:

Long-term service				
Balance at beginning of year	14 010 102	13 234 057	14 010 102	13 234 057
Contributions to provision	3 004 431	3 157 638	3 004 431	3 157 638
	17 014 533	16 391 695	17 014 533	16 391 695
Transfer to provisions	(1 557 626)	(2 381 593)	(1 557 626)	(2 381 593)
Balance at end of year	**15 456 907**	**14 010 102**	**15 456 907**	**14 010 102**

A long-service award is payable after 10 years of continuous service and every 5 years thereafter to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2017 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

At year-end, 900 (2016: 855) employees were eligible for long-service awards.

The current service costs for the year ending 30 June 2017 is estimated to be R1 676 614, whereas the cost for the ensuing year is estimated to be R1 714 384 (30 June 2016: R1 560 803 and R1 676 614 respectively).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount rates used	8,52%	8,57%	8,52%	8,57%
Cost inflation rate	6,34%	7,22%	6,34%	7,22%
Net effective discount rate	2,05%	1,26%	2,05%	1,26%
Expected retirement age - females	63	63	63	63
Expected retirement age - males	63	63	63	63

Movements in the present value of the defined benefit obligation were as follows:

Balance at beginning of the year	16 391 695	14 105 372	16 391 695	14 105 372
Current service costs	1 676 614	1 560 803	1 676 614	1 560 803
Interest cost	1 304 094	1 116 149	1 304 094	1 116 149
Benefits paid	(2 381 593)	(871 315)	(2 381 593)	(871 315)
Actuarial losses/(gains)	23 723	480 686	23 723	480 686
	17 014 533	**16 391 695**	**17 014 533**	**16 391 695**

The history of experienced adjustments is as follows:

	2017	**2016**	**2015**	**2014**	**2013**	**2012**
Present value of defined benefit obligation	17 014 533	16 391 695	14 105 372	11 670 653	9 150 868	9 765 467
Deficit	17 014 533	16 391 695	14 105 372	11 670 653	9 150 868	9 765 467
Experienced adjustments on plan liabilities	999 274	904 695	910 954	1 671 011	(1 664 673)	(991 516)

Figures in Rand	Economic entity 2017	Economic entity 2016	Controlling entity 2017	Controlling entity 2016

20. Other long-term employee benefits (continued)

	18 013 807	**17 296 390**	**15 016 326**	**13 341 664**	**7 486 195**	**8 773 951**

In accordance with transitional provisions for the amendments to GRAP 25 employee benefits in December 2004, the disclosures above are determined prospectively from the 2006 reporting.

The effect of a 1% movement in the assumed rate of long-service cost inflation is as follows:

2017	**One percentage point increase**	**One percentage point decrease**	**One percentage point increase**	**One percentage point decrease**
Effect on the aggregate of the current service cost and the interest cost	243 300	(217 500)	243 300	(217 500)
Effect on defined benefit obligation	70 600	(76 800)	70 600	(76 800)
	313 900	**(294 300)**	**313 900**	**(294 300)**

2016	**One percentage point increase**	**One percentage point decrease**	**One percentage point increase**	**One percentage point decrease**
Effect on the aggregate of the current service cost and the interest cost	225 600	(201 200)	225 600	(201 200)
Effect on defined benefit obligation	(69 100)	75 400	(69 100)	75 400
	156 500	**(125 800)**	**156 500**	**(125 800)**

The municipality expects to make a contribution of R3 099 117 (2016: R2 980 708) to the defined benefit plans during the next financial year.

21. Service charges

Sale of water	208 618 541	212 539 494	208 618 541	212 539 494
Sewerage and sanitation charges	105 963 034	107 388 391	105 963 034	107 388 391
	314 581 575	**319 927 885**	**314 581 575**	**319 927 885**

22. Rental of facilities and equipment

Premises				
Premises	239 180	224 745	239 180	224 745
Facilities and equipment				
Rental of facilities	2 306 265	864 261	2 306 265	864 261
	2 545 445	**1 089 006**	**2 545 445**	**1 089 006**

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

23. Other income

Revaluation reserve/ Assets acquired at no cost	-	137 368	-	137 368
Administration fees	29 500	5 700	29 500	5 700
Building plan fees	123 460	91 870	123 460	91 870
Connection fees	1 551 129	1 845 226	1 551 129	1 845 226
Other revenue	3 545 492	1 566 794	887 863	1 034 875
Atmospheric emissions licenses	553 834	942 856	553 834	942 856
Reconnection fees	549 036	632 143	549 036	632 143
Tender deposits	313 650	173 708	313 650	173 708
Water rates certificates	1 009 857	922 934	1 009 857	922 934
Developers fees	5 075 082	11 011 074	5 075 082	11 011 074
	12 751 040	**17 329 673**	**10 093 411**	**16 797 754**

24. Investment revenue

Interest revenue				
Short-term investments	1 853 184	5 672 082	1 853 184	5 672 082
Bank	22 422 727	20 936 704	21 573 146	20 182 661
Interest charged on trade and other receivables	4 021 187	4 019 407	4 021 187	4 019 407
	28 297 098	**30 628 193**	**27 447 517**	**29 874 150**

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

25. Government grants and subsidies

Operating grants				
Equitable share	312 458 000	303 885 000	312 458 000	303 885 000
Levies replacement	63 873 000	58 891 000	63 873 000	58 891 000
Drought Relief Emergency (COGTA)	5 000 000	-	5 000 000	-
Finance Management Grant (FMG)	1 460 000	1 325 000	1 460 000	1 325 000
Municipal Systems Improvement Grant (MSIG)	-	940 000	-	940 000
Intergovernmental District Forum	-	2 178	-	2 178
Intergrated Waste Management/Environmental	-	430 395	-	430 395
Ugu Broadband Project	-	144 019	-	144 019
Emerging Contractors NPC	-	129 000	-	129 000
Ugu Timber Study Project	-	38 575	-	38 575
Ugu Craft Commercialisation Project	-	6 650	-	6 650
Rain Water Harvesting- Umzumbe	-	15 456	-	15 456
DWAF : Refurbish Rural Water Schemes	3 650 000	1 342 653	3 650 000	1 342 653
Expanded Public Works Programme	1 788 000	1 826 000	1 788 000	1 826 000
Local Economic Development (LED) Grant	-	502 583	-	502 583
Development Planning Shared Services Support	400 000	250 000	400 000	250 000
Municipal Disaster Recovery(Cogta)	-	4 999 000	-	4 999 000
Rural Transport Services	2 510 000	2 446 000	2 510 000	2 446 000
Disaster Shared Services	-	93 628	-	93 628
	391 139 000	**377 267 137**	**391 139 000**	**377 267 137**
Capital grants				
Municipal Infrastructure Grant (MIG)	233 873 000	249 316 000	233 873 000	249 316 000
Disaster Management Centre (DMC) Grant	5 000 000	14 967	5 000 000	14 967
Mhlabatshane Bulk Scheme	12 776 000	19 369 902	12 776 000	19 369 902
UGU Bulk Schemes-Murchison	-	896 679	-	896 679
Drought Intervention Programme - Diesel Generators	-	3 058 598	-	3 058 598
Drought Intervention Programme - Springs	-	3 444 878	-	3 444 878
Universal Access to water - Umdoni	79 952	1 500 000	79 952	1 500 000
Water Services Infrastructure Grant	58 570 000	78 417 635	58 570 000	78 417 635
Uvongo Sewerage Upgrade	-	68 492	-	68 492
Masinenge Low Cost Housing - Ray Nkonyeni	-	27 477	-	27 477
	310 298 952	**356 114 628**	**310 298 952**	**356 114 628**
	701 437 952	**733 381 765**	**701 437 952**	**733 381 765**

National: equitable share

The equitable share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by National Treasury.

Current-year receipts	376 331 000	353 845 000	376 331 000	353 845 000
Conditions met - transferred to revenue: operating expenses	(376 331 000)	(353 845 000)	(376 331 000)	(353 845 000)
	-	**-**	**-**	**-**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of R 209 (2016: R 204), which is funded from the grant.

Drought Relief Emergency (COGTA)

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

25. Government grants and subsidies (continued)

Current-year receipts	5 000 000	-	5 000 000	-
Conditions met - transferred to revenue: operating expenses	(5 000 000)	-	(5 000 000)	-
	-	-	-	-

Conditions still to be met - remain liabilities (see note 17).

DWAF grants are aimed at supplementing municipal budgets to assist with the construction of water delivery infrastructure, execution of water service delivery

Finance Management Grant (FMG)

Current-year receipts	1 460 000	1 325 000	1 460 000	1 325 000
Conditions met - transferred to revenue: operating expenses	(1 460 000)	(1 325 000)	(1 460 000)	(1 325 000)
	-	-	-	-

Conditions still to be met - remain liabilities (see note 17).

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

Municipal Systems Improvement Grant (MSIG)

Balance unspent at beginning of year	-	206 998	-	206 998
Current-year receipts	-	940 000	-	940 000
Conditions met - transferred to revenue: operating expenses	-	(940 000)	-	(940 000)
Transfers withheld during the period	-	(206 998)	-	(206 998)
	-	-	-	-

Conditions still to be met - remain liabilities (see note 17).

Grant was made available by National Local Government to help implement the IDP, PMS, Sports Stadium and financial reform initiatives as required by the Municipal Finance Management Act (MFMA), 2003 and the Municipal Systems Act (MSA),2000.

Intergovernmental District Forum

Balance unspent at beginning of year	-	-	-	2 187
Conditions met - transferred to revenue: operating expenses	-	-	-	(2 187)
	-	-	-	-

Conditions still to be met - remain liabilities (see note 17).

Grants received from CoGTA are utilised to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required by the Municipal Structures Act.

Intergrated Waste Management / Environmental

Balance unspent at beginning of year	-	430 395	-	430 395

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

25. Government grants and subsidies (continued)

Conditions met - transferred to revenue: operating expenses	-	(430 395)	-	(430 395)
	-	-	-	-

Conditions still to be met - remain liabilities (see note 17).

The European Community represented by the Department of Economic Development (Gijima KZN) awarded the grant for the implementation of the action entitled "Strengthening the LED Enabling Environment". No funds were withheld.

Ugu Broadband Project

Balance unspent at beginning of year	-	144 019	-	144 019
Conditions met - transferred to revenue: operating expenses	-	(144 019)	-	(144 019)
	-	-	-	-

Conditions still to be met - remain liabilities (see note 17).

Grants received from CoGTA are utilised to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required by the Municipal Structures Act.

Emerging Contractors NPC

Balance unspent at beginning of year	-	129 000	-	129 000
Conditions met - transferred to revenue: operating expenses	-	(129 000)	-	(129 000)
	-	-	-	-

Conditions still to be met - remain liabilities (see note 17).

The purpose of this grant was to enhance rural economic development and broad-based community information dissemination and empowerment.

Ugu Timber Study Project

Balance unspent at beginning of year	-	38 582	-	38 582
Conditions met - transferred to revenue: operating expenses	-	(38 582)	-	(38 582)
	-	-	-	-

Conditions still to be met - remain liabilities (see note 17).

The purpose of this grant was to assist with the development of business plans for the seven flagship projects in the municipal area.

Ugu Craft Commercialisation Project

Balance unspent at beginning of year	-	6 650	-	6 650
Conditions met - transferred to revenue: operating expenses	-	(6 650)	-	(6 650)
	-	-	-	-

Conditions still to be met - remain liabilities (see note 17).

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

25. Government grants and subsidies (continued)

The purpose of this grant was to assist with the development of business plans for the seven flagship projects in the municipal area. The objectives of the projects are to enhance rural economic development and broad-based community information dissemination and empowerment. No funds were withheld.

Rain Water Harvesting- Umzumbe

Balance unspent at beginning of year	-	15 456	-	15 456
Conditions met - transferred to revenue: operating expenses	-	(15 456)	-	(15 456)
	-	**-**	**-**	**-**

Conditions still to be met - remain liabilities (see note 17).

Grants received from CoGTA are aimed at supplementing municipal budgets to assist with the assessment of water service delivery mechanisms, water delivery planning and water services technical support. Funding was also received to assist with the construction of the Ugu Sports and Leisure Centre.

DWAF : Refurbish Rural Water Schemes

Balance unspent at beginning of year	3 650 000	1 342 653	3 650 000	1 342 653
Current-year receipts	-	3 650 000	-	3 650 000
Conditions met - transferred to revenue: operating expenses	(3 650 000)	(1 342 653)	(3 650 000)	(1 342 653)
	-	**3 650 000**	**-**	**3 650 000**

Conditions still to be met - remain liabilities (see note 17).

DWAF grants are aimed at supplementing municipal budgets to assist with the refurbishment of water delivery infrastructure, execution of water service delivery and the development of an Asset Management Plan.

Expanded Public Works Programme

Balance unspent at beginning of year	-	326 424	-	326 424
Current-year receipts	1 788 000	1 826 000	1 788 000	1 826 000
Conditions met - transferred to revenue: operating expenses	(1 788 000)	(1 826 000)	(1 788 000)	(1 826 000)
Transfers withheld during the period	-	(326 424)	-	(326 424)
	-	**-**	**-**	**-**

Conditions still to be met - remain liabilities (see note 17).

This is an incentive grant from Public Works for the promotion of labour intensive projects within the District. No funds were withheld.

Local Economic Development (LED) Grant

Balance unspent at beginning of year	-	502 583	-	502 583
Conditions met - transferred to revenue: operating expenses	-	(502 583)	-	(502 583)
	-	**-**	**-**	**-**

Conditions still to be met - remain liabilities (see note 17).

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

25. Government grants and subsidies (continued)

The purpose of this grant was to enhance rural economic development and broad-based community information dissemination and empowerment.

Development Planning Shared Services Support

Current-year receipts	400 000	250 000	400 000	250 000
Conditions met - transferred to revenue: operating expenses	(400 000)	(250 000)	(400 000)	(250 000)
	-	-	-	-

Conditions still to be met - remain liabilities (see note 17).

Grants received from CoGTA are utilised to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required by the Municipal Structures Act.

Municipal Disaster Recovery (Cogta)

Balance unspent at beginning of year	-	4 999 000	-	4 999 000
Conditions met - transferred to revenue: operating expenses	-	(4 999 000)	-	(4 999 000)
	-	-	-	-

Conditions still to be met - remain liabilities (see note 17).

Municipal Disaster Recovery is a grant from Department of Cooperative Government and Traditional Affairs, made availabe to municipality to provide recovery whenever there is a disaster.

Rural Transport Services

Current-year receipts	2 510 000	2 446 000	2 510 000	2 446 000
Conditions met - transferred to revenue: operating expenses	(2 510 000)	(2 446 000)	(2 510 000)	(2 446 000)
	-	-	-	-

Conditions still to be met - remain liabilities (see note 17).

This funding was furnished by the KZN Department of Transport to assist with the preparation of a Public Transport Plan as required by the National Land Transport Transition Act, 2000. No funds were transferred to the municipality for the year under review.

Disaster Shared Services

Balance unspent at beginning of year	-	93 628	-	93 628
Conditions met - transferred to revenue: oprating expenses	-	(93 628)	-	(93 628)
	-	-	-	-

Conditions still to be met - remain liabilities (see note 17).

Grants received from CoGTA are utilised to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required by the Municipal Structures Act.

Municipal Infrastructure Grant (MIG)

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

25. Government grants and subsidies (continued)

Current-year receipts	233 873 000	249 316 000	233 873 000	249 316 000
Conditions met - transferred to revenue: capital expenses	(233 873 000)	(249 316 000)	(233 873 000)	(249 316 000)
	-	-	-	-

Conditions still to be met - remain liabilities (see note 17).

The MIG grant is aimed at supplementing municipal budgets to eradicate backlogs in municipal infrastructure utilised in providing basic services for the benefit of poor households and for the provision, rehabilitation and renewal of municipal infrastructure. No funds were withheld.

Disaster Management - DMC

Balance unspent at beginning of year	5 000 000	14 967	5 000 000	14 967
Current-year receipts	-	5 000 000	-	5 000 000
Conditions met - transferred to revenue: capital expenses	(5 000 000)	(14 967)	(5 000 000)	(14 967)
	-	**5 000 000**	**-**	**5 000 000**

Conditions still to be met - remain liabilities (see note 17).

The Disaster Management Centre Grant is for the establishment of second phase of Ugu District Disaster Management Centre

Mhlabatshane Bulk Scheme

Balance unspent at beginning of year	-	10 535 902	-	10 535 902
Current-year receipts	12 776 000	8 834 000	12 776 000	8 834 000
Conditions met - transferred to revenue: capital expenses	(12 776 000)	(19 369 902)	(12 776 000)	(19 369 902)
	-	-	-	-

Conditions still to be met - remain liabilities (see note 17).

Mhlabatshane Bulk Scheme is to develop new, refurbish, upgrade and replace ageing water and wastewater infrastructure of regional significance that connect water resources to infrastructure serving extensive areas across municipal boundariesor large regional bulk infrastructure serving numerious communities over a large area within a municipality, to pilot regional water conservation and water demand management projector facilitate and contribute to the implementation of local water conservation and water demand management projects that will directly impact on bulk infrastructre requirements.

UGU Bulk Schemes - Murchison

Balance unspent at beginning of year	-	896 679	-	896 679
Conditions met - transferred to revenue: capital expenses	-	(896 679)	-	(896 679)
	-	-	-	-

Conditions still to be met - remain liabilities (see note 17).

Grants received from CoGTA are aimed at supplementing municipal budgets to assist with the assessment of water service delivery mechanisms, water delivery planning and water services technical support. Funding was also received to assist with the construction of the Ugu Sports and Leisure Centre.

Drought Intervention Programme - Diesel Generators

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

25. Government grants and subsidies (continued)

Balance unspent at beginning of year	-	3 058 630	-	3 085 630
Conditions met - transferred to revenue: capital expenses	-	(3 058 630)	-	(3 085 630)
	-	**-**	**-**	**-**

Conditions still to be met - remain liabilities (see note 17).

DWAF grants are aimed at supplementing municipal budgets to assist with the construction of water delivery infrastructure, execution of water service delivery.

Drought Intervention Programme - Springs

Balance unspent at beginning of year	-	3 444 878	-	3 444 878
Conditions met - transferred to revenue: capital expenses	-	(3 444 878)	-	(3 444 878)
	-	**-**	**-**	**-**

Conditions still to be met - remain liabilities (see note 17).

DWAF grants are aimed at supplementing municipal budgets to assist with the construction of water delivery infrastructure, execution of water service delivery.

Universal Access to Water - Umdoni

Balance unspent at beginning of year	79 952	1 579 952	79 952	1 579 952
Conditions met - transferred to revenue: capital expenses	(79 952)	(1 500 000)	(79 952)	(1 500 000)
	-	**79 952**	**-**	**79 952**

Conditions still to be met - remain liabilities (see note 17).

Grants received from CoGTA are aimed at supplementing municipal budgets to assist with the assessment of water service delivery mechanisms, water delivery planning and water services technical support. Funding was also received to assist with the construction of the Ugu Sports and Leisure Centre.

Water Services Infrastructure Grant (WSIG)

Current-year receipts	58 570 000	86 815 214	58 570 000	86 815 214
Conditions met - transferred to revenue: capital expenses	(58 570 000)	(78 417 635)	(58 570 000)	(78 417 635)
Transfers withheld during the year	-	(8 397 579)	-	(8 397 579)
	-	**-**	**-**	**-**

Conditions still to be met - remain liabilities (see note 17).

Facilitate the planning and implementation of various water and sanitation projects to accelerate backlog reduction and improve the sustainability of services in prioritised district municipalities, especially in rural municipalities; provide interim, intermediate water and sanitation supply that ensures provision of services to identified and prioritised communities, including through spring protection, drilling, testing and equiping of borehole; provide on site sanitation solutions; support the existing bucket eradication programme intervention informal residential areas; support drought relief projects in affected municipalities.

Uvongo Sewerage Upgrade

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

25. Government grants and subsidies (continued)

Balance unspent at beginning of year	-	68 492	-	68 492
Conditions met - transferred to revenue: capital expenses	-	(68 492)	-	(68 492)
	-	-	-	-

Conditions still to be met - remain liabilities (see note 17).

Grants received from CoGTA are aimed at supplementing municipal budgets to assist with the assessment of water service delivery mechanisms, water delivery planning and water services technical support. Funding was also received to assist with the construction of the Ugu Sports and Leisure Centre.

Masinenge Low Cost Housing - Ray Nkonyeni

Balance unspent at beginning of year	-	27 477	-	27 477
Conditions met - transferred to revenue: capital expenses	-	(27 477)	-	(27 477)
	-	-	-	-

Conditions still to be met - remain liabilities (see note 17).

Grants received from CoGTA are aimed at supplementing municipal budgets to assist with the assessment of water service delivery mechanisms, water delivery planning and water services technical support. Funding was also received to assist with the construction of the Ugu Sports and Leisure Centre.

Preparation of a Spatial Development Framework

Current-year receipts	400 000	-	400 000	-

Conditions still to be met - remain liabilities (see note 17).

Grants received from CoGTA are utilised to assist municipalities in building in-house capacity to perform their functions and stabilise institutional and governance systems as required by the Municipal Structures Act. The grant allocation is for 2017/2018 financial period, however funds were received during 2016/2017 financial period.

26. Public contributions and donations

Ray Nkonyeni Municipality	5 295 108	3 296 000	-	-
Umdoni Municipality	(59 000)	420 000	-	-
Umzumbe Municipality	927 170	402 800	-	-
Umuziwabantu Municipality	1 214 600	318 150	-	-
Ezinqoleni Municipality	-	106 000	-	-
Vulamehlo Municipality	-	418 700	-	-
	7 377 878	**4 961 650**	**-**	**-**

Reconciliation of conditional contributions				
Current-year receipts	7 142 419	4 961 650	-	-
Conditions met - transferred to revenue	(7 142 419)	(4 961 650)	-	-
	-	-	-	-

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

27. Employee related costs

Basic	192 884 428	173 122 339	185 095 287	166 660 872
Commissions	9 074 842	9 147 605	9 074 842	9 147 605
Bonus	13 857 588	15 334 631	13 244 992	14 655 822
Medical aid - company contributions	14 161 267	12 970 466	14 161 267	12 970 466
UIF	1 585 936	1 431 906	1 541 438	1 408 841
SDL	2 691 688	2 436 155	2 599 389	2 348 297
Leave pay provision charge	6 218 809	4 428 772	6 117 117	4 389 525
Contribution long-service benefits	3 214 366	3 351 273	3 004 431	3 157 638
Other short term costs	86 260	70 550	77 760	70 550
Defined contribution plans	44 390 355	33 700 334	44 093 674	33 499 330
Travel, motor car, accommodation, subsistence and other allowances	2 238 340	1 615 896	1 646 811	1 579 408
Overtime payments	33 027 218	29 684 859	32 839 166	29 471 208
Long-service awards	458 748	741 548	443 748	741 548
Acting allowances	2 615 211	586 427	2 615 211	586 427
Car allowance	12 709 399	12 414 754	12 709 399	12 414 754
Housing benefits and allowances	1 733 688	1 590 300	1 703 658	1 565 654
	340 948 143	**302 627 815**	**330 968 190**	**294 667 945**

Remuneration of municipal manager

Annual Remuneration	1 174 830	1 071 667	1 174 830	1 071 667
Car, entertainment, housing, subsistence and other allowances	282 325	294 665	282 325	294 665
Performance Bonuses	150 909	141 380	150 909	141 380
Contributions to UIF, Medical and Pension Funds	267 578	247 299	267 578	247 299
	1 875 642	**1 755 011**	**1 875 642**	**1 755 011**

Remuneration of chief finance officer

Annual Remuneration	761 592	660 926	761 592	660 926
Car, entertainment, housing, subsistence and other allowances	410 801	460 543	410 801	460 543
Performance Bonuses	100 997	106 875	100 997	106 875
Contributions to UIF, Medical and Pension Funds	53 821	49 010	53 821	49 010
	1 327 211	**1 277 354**	**1 327 211**	**1 277 354**

Remuneration of general manager: corporate services

Annual Remuneration	607 175	548 236	607 175	548 236
Car, entertainment, housing, subsistence and other allowances	573 321	581 878	573 321	581 878
Performance Bonuses	100 997	96 187	100 997	96 187
Contributions to UIF, Medical and Pension Funds	38 961	28 221	38 961	28 221
	1 320 454	**1 254 522**	**1 320 454**	**1 254 522**

Remuneration of general manager: infrastructure and economic development

Annual Remuneration	899 149	848 318	899 149	848 318
Car, entertainment, housing, subsistence and other allowances	311 413	304 156	311 413	304 156
Performance Bonuses	89 775	74 812	89 775	74 812
Contributions to UIF, Medical and Pension Funds	14 199	13 473	14 199	13 473

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

27. Employee related costs (continued)

	1 314 536	**1 240 759**	**1 314 536**	**1 240 759**

Remuneration of general manager: water services

Annual Remuneration	568 819	555 011	568 819	555 011
Car, entertainment, housing, subsistence and other allowances	501 849	465 169	501 849	465 169
Performance Bonuses	89 775	85 500	89 775	85 500
Contributions to UIF, Medical and Pension Funds	132 430	123 342	132 430	123 342
	1 292 873	**1 229 022**	**1 292 873**	**1 229 022**

Remuneration of chief executive officer (Ugu South Coast Tourism)

Annual Remuneration	981 894	930 000	-	-
Car, entertainment, housing, subsistence and other allowances	19 804	18 786	-	-
Performance Bonuses	130 200	118 709	-	-
Contributions to UIF, Medical and Pension Funds	12 905	12 272	-	-
	1 144 803	**1 079 767**	**-**	**-**

Remuneration of general manager: finance and human resources (Ugu South Coast Tourism)

Annual Remuneration	633 480	600 000	-	-
Car, entertainment, housing, subsistence and other allowances	19 534	17 702	-	-
Performance Bonuses	84 000	66 774	-	-
Contributions to UIF, Medical and Pension Funds	8 737	8 231	-	-
Long service award	5 000	-	-	-
	750 751	**692 707**	**-**	**-**

Remuneration of general manager: Development (Ugu South Coast Tourism) (Appointed: 01 April 2017)

Annual Remuneration	158 370	-	-	-
Car, entertainment, housing, subsistence and other allowances	3 600	-	-	-
Contributions to UIF, Medical and Pension Funds	2 006	-	-	-
	163 976	**-**	**-**	**-**

Remuneration of general manager: marketing and events (Ugu South Coast Tourism)(Appointed: 01 January 2017)

Annual Remuneration	316 740	-	-	-
Car, entertainment, housing, subsistence and other allowances	7 200	-	-	-
Contributions to UIF, Medical and Pension Funds	5 196	-	-	-
	329 136	**-**	**-**	**-**

Remuneration of chief executive officer (Acting) (South Coast Development Agency)(Resigned: 30 September 2016)

Annual Remuneration	290 000	848 689	-	-
Contributions to UIF, Medical and Pension Funds	4 449	8 267	-	-
	294 449	**856 956**	**-**	**-**

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

27. Employee related costs (continued)

Remuneration of chief executive officer (South Coast Development Agency)(Appointed: 01 October 2016)

Annual Remuneration	328 000	-	-	-
Car, entertainment, housing, subsistence and other allowances	72 000	-	-	-
Contributions to UIF, Medical and Pension Funds	5 046	-	-	-
	405 046	**-**	**-**	**-**

Remuneration of general manager: finance and human resources (South Coast Development Agency)

Annual Remuneration	473 882	360 507	-	-
Car, entertainment, housing, subsistence and other allowances	137 237	75 481	-	-
Contributions to UIF, Medical and Pension Funds	71 730	21 707	-	-
	682 849	**457 695**	**-**	**-**

Remuneration of general manager: projects (South Coast Development Agency)

Annual Remuneration	-	301 653	-	-
Car, entertainment, housing, subsistence and other allowances	-	80 614	-	-
Contributions to UIF, Medical and Pension Funds	-	24 016	-	-
	-	**406 283**	**-**	**-**

28. Remuneration of councillors

Mayor	541 623	353 056	541 623	353 056
Deputy Mayor	227 977	261 568	227 977	261 568
Executive Committee Members	2 346 130	1 915 698	2 346 130	1 915 698
Speaker	518 131	258 917	518 131	258 917
Councillors/ board members	2 996 114	1 936 379	1 896 553	1 344 223
Company contributions to UIF, medical and pension funds	71 053	352 460	71 053	352 460
Other allowances (Cellphones, housing, transport etc.)	2 721 776	4 471 324	2 721 776	4 471 324
	9 422 804	**9 549 402**	**8 323 243**	**8 957 246**

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

28. Remuneration of councillors (continued)

In-kind benefits

The Councillors occupying the positions of Mayor, Deputy Mayor, Speaker and Executive Committee Members of the municipality serve in a full-time capacity. Each is provided with an office and secretarial support at the cost of the Council in order to enable them to perform their official duties.

The Councillors may utilise official council transportation when engaged in official duties.

The Mayor has one full-time bodyguard and one full-time driver.

The Deputy Mayor has one full-time aide, fulfilling various personal duties.

The Speaker has one full-time driver.

For services as directors				
Ugu South Coast Tourism				
EJ Crutchfield	41 500	41 500	-	-
HR Kelly	35 275	20 750	-	-
PT Jeffreys	14 525	14 525	-	-
J Harris	22 825	18 675	-	-
ZP Ngubane	29 050	14 525	-	-
C Davenhill	18 675	18 675	-	-
WV Mzulwini	18 675	20 750	-	-
Ugu South Coast Development Agency				
SJ Nzimande	146 605	48 000	-	-
SD Dlomo	173 070	98 965	-	-
EJ Crutchfield	73 312	-	-	-
VK Naidoo	124 271	57 522	-	-
ZP Mthuli	105 266	39 406	-	-
HT Shezi	-	52 973	-	-
LG Shezi	128 266	62 210	-	-
EM Zungu	82 153	43 530	-	-
B Zulu	76 340	34 486	-	-
	1 089 808	**586 492**	**-**	**-**

In terms of Section 124(1) of the Municipal Finance Act (Act No. 56 of 2003), the accounting officer certifies that the salaries, allowances and benefits of the directors as disclosed in this note within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act, 1998 (Act No. 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act.

29. Depreciation and amortisation

Property, plant and equipment	197 532 178	192 656 652	197 299 333	192 507 944
Intangible assets	4 200 815	2 451 340	4 178 665	2 441 660
	201 732 993	**195 107 992**	**201 477 998**	**194 949 604**

The prior year comparative balances have been accordingly restated retrospectively. (See note: 46)

30. Impairment of assets

Impairments				
Property, plant and equipment	2 121 111	147 993 092	2 114 448	147 993 092
Trade and other receivables	36 098 959	96 672 979	36 098 959	96 672 979
	38 220 070	**244 666 071**	**38 213 407**	**244 666 071**

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

31. Finance costs

Non-current borrowings	9 961 255	12 408 088	9 959 172	12 408 084
Other interest paid	666 660	1 148 028	666 232	1 148 000
	10 627 915	**13 556 116**	**10 625 404**	**13 556 084**

32. Debt impairment

Bad debts written off	17 731	196 710	-	172 017

33. Bulk purchases

Water	77 790 321	66 091 136	77 790 321	66 091 136

Bulk purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Bulk water is purchased from the Umgeni Water Board and eThekwini Municipality.

34. Contracted services

Information Technology Services	1 115 944	59 058	996 346	-
Specialist Services	34 471 332	22 741 488	34 432 036	22 704 656
Other Contractors	60 526	48 246	-	-
	35 647 802	**22 848 792**	**35 428 382**	**22 704 656**

Contracted services are as follows:				
Contractors				
Cleaning services	2 297 748	2 234 888	2 297 748	2 234 888
Pest control	109 069	52 745	109 069	52 745
Professional services				
Chemistry	6 979 963	3 514 786	6 979 963	3 514 786
Dam safety	5 478 507	1 681 554	5 478 507	1 681 554
Engineering services	1 815 642	1 545 615	1 815 642	1 545 615
Other professional services	2 477 928	2 285 686	2 477 928	2 285 686
Security services				
Alarm monitoring	2 483	747	2 483	747
Cash banking	137 791	133 991	137 791	133 991
General security	15 232 727	11 339 722	15 132 905	11 254 675
Information technology services				
Consulting fees IT/mSCOA	1 115 944	59 058	996 346	-
	35 647 802	**22 848 792**	**35 428 382**	**22 704 687**

35. Grants and subsidies paid

Grants paid to ME's				
Ugu South Coast Development Agency	-	-	5 512 493	5 250 000
Tourism Development	-	-	5 298 936	5 153 748
Tourism Marketing	-	-	6 626 797	6 442 188
	-	**-**	**17 438 226**	**16 845 936**

Other subsidies				
Community projects	29 277 880	13 063 669	29 277 880	13 063 669
Other	7 057 574	7 263 389	7 057 574	7 263 389
	36 335 454	**20 327 058**	**36 335 454**	**20 327 058**

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

35. Grants and subsidies paid (continued)

	36 335 454	**20 327 058**	**53 773 680**	**37 172 994**

Conditional grants paid is in respect of projects undertaken by municipalities within the municipality’s area of jurisdiction and funded by Ugu District Municipality.

Community projects consist primarily of ventilated pit latrines constructed for communities that have no access to sanitation services. This project is accelerated to deal swiftly with the municipality’s sanitation backlog programme as funded through the Municipal Infrastructure Grant.

The low income subsidy is in respect of providing basic service levels to indigent households.

36. General expenses

Accounting fees	86 450	77 710	-	-
Advertising	2 501 888	2 503 587	304 019	110 423
Auditors remuneration	3 740 676	3 765 919	3 210 452	3 090 207
Bank charges	740 786	623 799	656 708	558 333
Cleaning	832 068	373 024	820 798	368 808
Commission paid	2 365 947	1 554 462	2 023 806	1 378 895
Consulting and professional fees	900 738	1 281 426	879 424	1 172 253
Consumables	126 018	207 909	126 018	207 909
Loose/small tools	851 871	436 490	851 871	436 490
Kwanaloga subscriptions	3 675 662	2 919 853	3 675 662	2 919 853
Accomodation, seminars and travelling	1 051 116	681 594	1 015 698	619 375
Insurance	1 868 898	1 631 848	1 759 785	1 554 945
Marketing	1 460 856	2 242 450	1 166 117	1 992 328
Magazines, books and periodicals	-	2 483	-	2 483
Materials	6 811 780	13 159 483	6 717 018	13 060 045
Drought relief expense (Salt Water)	689 700	4 218 048	689 700	4 204 048
Fuel and oil	19 884 743	6 112 625	19 884 743	6 112 625
Postage and courier	1 397 327	1 559 517	1 392 967	1 558 349
Printing and stationery	2 025 198	962 050	1 852 856	800 962
Research and development costs	305 715	624 734	305 715	624 734
Subscriptions and membership fees	44 151	39 910	21 417	30 110
Telephone and fax	4 126 844	4 230 827	3 849 234	3 912 524
Transport and freight	-	1 634 341	-	1 634 341
Training	2 135 844	2 655 010	2 106 632	2 612 205
Travel - local	374 842	206 814	-	-
Electricity	64 217 206	55 969 938	64 149 627	55 948 605
Uniforms and protective clothing	2 940 630	314 158	2 892 870	286 873
Other general expenses	10 997 971	18 156 156	10 243 338	17 242 472
Licenses	5 584 880	6 774 463	5 584 880	6 774 463
Vehicle tracking	1 556 716	1 361 289	1 263 496	1 117 266
Events and programmes	10 477 407	3 331 233	350 000	227 272
Gardening services	484 503	405 181	411 348	350 432
Public participation	2 527 140	544 736	2 527 140	544 736
Sports and recreation	3 346 716	320 136	3 073 421	131 459
Refreshments	119 275	277 119	119 275	277 119
Workmen's compensation insurance	818 836	1 390 225	818 836	1 390 225
Property transfers	1 023 734	1 336 389	1 023 734	1 336 389
	162 094 132	**143 886 936**	**145 768 605**	**134 589 556**

37. Fair value adjustments

Investment property (Fair value model)	(149 310)	96 749	100 000	96 749

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

38. Auditors' remuneration

Fees	3 740 676	3 765 919	3 210 452	3 090 207

39. Cash generated from operations

Surplus	53 032 868	23 306 049	54 122 888	19 227 926
Adjustments for:				
Depreciation and amortisation	201 732 993	195 107 992	201 477 998	194 949 604
Loss on sale of assets and liabilities	(492 315)	(716 192)	(502 707)	(646 992)
Loss from transfer of functions between entities not under common control	30 512 574	-	30 512 574	-
Assets acquired at no cost	-	(137 368)	-	(137 368)
Fair value adjustments	149 310	(96 749)	(100 000)	(96 749)
Impairment deficit	38 220 070	244 666 071	38 213 407	244 666 071
Debt impairment	17 731	196 710	-	172 017
Movements in operating lease assets and accruals	35 332	15 820	2 434	(12 937)
Movements in retirement benefit assets and liabilities	430 372	321 680	430 372	321 680
Movements in provisions -current	3 066 139	5 446 839	2 598 553	5 395 752
Movement in provisions - non-current	1 446 805	776 045	1 446 805	776 045
Changes in working capital:				
Inventories	3 894 678	2 902 413	3 894 678	2 902 413
Receivables from exchange transactions	(77 312 427)	(60 894 622)	(77 020 902)	(61 464 514)
Other receivables from non-exchange transactions	5 182 899	25 172 662	7 193 336	23 389 105
Payables from exchange transactions	(4 296 162)	23 046 560	(4 513 837)	22 932 638
VAT	10 995 975	(30 468 010)	11 295 361	(30 725 591)
Unspent conditional grants and receipts	(7 329 920)	(12 635 897)	(8 329 920)	(12 635 897)
Consumer deposits	224 356	572 602	224 356	572 602
	259 511 278	**416 582 605**	**260 945 396**	**409 585 805**

40. Transfer of functions between entities not under common control

In terms of Section 12 of the Local Government Municipal Structures Act, No 117 of 1998; 3,5 wards were transferred to Ethekwini Municipality and Harry Gwala District Municipality respectively. The effective date of the transfer is 10th August 2016.

The assets that were transferred are immovable assts, which are infrastructure complete and under construction.

The details of assets transferred are as follows

Assets transferred to other municipalities	**Ethekwini**	**Total**
Cost	48 166 698	48 166 698
Accumulated depreciation	(17 654 124)	(17 654 124)
	30 512 574	**30 512 574**

There was no consideration received or receivable from a transfer of assets, as result a loss of carrying amount of assets transferred was incurred, which amounts to R30 512 574 (2016: R0)

41. Financial instruments disclosure

Categories of financial instruments

Economic entity - 2017

Financial assets

41. Financial instruments disclosure (continued)

	At fair value	At amortised cost	Total
Long-term receivables	-	-	-
- Sundry loans	-	30 812	30 812
Receivables from Exchange Transactions	-	-	-
- Sewerage	-	19 407 883	19 407 883
- Other trade receivables	-	3 693 523	3 693 523
- Water	-	66 734 183	66 734 183
- Water rates	-	11 468 337	11 468 337
Receivables from Non-Exchange Transactions	-	-	-
- Payments made in advance	-	11 235 490	11 235 490
- Ray Nkonyeni Municipality	-	836 413	836 413
- Sundry deposits	-	1 605 132	1 605 132
- Sundry debtors	-	8 271 892	8 271 892
Cash and Cash Equivalents	-	-	-
- Call deposits	9 971 908	-	9 971 908
- Notice deposits	-	165 000 000	165 000 000
- Bank balances	14 220 880	-	14 220 880
- Cash floats and advances	8 933	-	8 933
Current-portion of Long-term Receivables	-	-	-
- Sundry loans	-	58 731	58 731
	24 201 721	**288 342 396**	**312 544 117**

Financial liabilities

	At amortised cost	Total
Compound instruments	-	-
-Annuity loans	126 521 313	126 521 313
Other financial liabilities	-	-
- Trade and other payables from exchange transactions	172 851 370	172 851 370
- Bank overdraft	150 443	150 443
	299 523 126	**299 523 126**

Economic entity - 2016

Financial assets

	At fair value	At amortised cost	Total
Long-term Receivables	-	-	-
- Sundry loans	-	251 734	251 734
Receivables from Exchange Transactions	-	-	-
- Sewerage	-	24 765 754	24 765 754
- Other trade receivables	-	1 821 087	1 821 087
- Water	-	61 089 682	61 089 682
- Water rates	-	7 924 214	7 924 214
Receivables from Non-Exchange Transactions	-	-	-
- Payments made in advance	-	9 740 266	9 740 266
- Sundry deposits	-	1 604 432	1 604 432
- Sundry debtors	-	15 786 685	15 786 685
Cash and Cash Equivalents	-	-	-
- Call deposits	50 184 752	-	50 184 752
- Notice deposits	-	165 018 579	165 018 579
- Bank balances	61 045 657	-	61 045 657
- Cash floats and advances	11 692	-	11 692

41. Financial instruments disclosure (continued)

Current-portion of Long-term Receivables	-	-	-
- Sundry loans	-	11 594	11 594
	111 242 101	**288 014 027**	**399 256 128**

Financial liabilities

	At fair value	At amortised cost	Total
Compound instruments	-	-	-
- Annuity loans	-	145 553 238	145 553 238
Other financial liabilities	-	-	-
- Trade and other payables from exchange transactions	-	177 147 532	177 147 532
- Bank overdraft	2 306 145	-	2 306 145
	2 306 145	**322 700 770**	**325 006 915**

Controlling entity - 2017

Financial assets

	At fair value	At amortised cost	Total
Long-term Receivables	-	-	-
- Sundry loans	-	30 812	30 812
Receivables from Exchange Transactions	-	-	-
- Sewerage	-	9 924 784	9 924 784
- Other trade receivables	-	2 985 616	2 985 616
- Water	-	31 941 960	31 941 960
- Water rates	-	103 070	103 070
Receivables from Non-Exchange Transactions	-	-	-
- Payments made in advance	-	10 045 723	10 045 723
- Sundry deposits	-	1 604 432	1 604 432
- Sundry debtors	-	8 949 947	8 949 947
Cash and Cash Equivalents	-	-	-
- Call deposits	7 881 921	-	7 881 921
- Notice deposits	-	165 000 000	165 000 000
- Bank balances	6 750 640	-	6 750 640
- Cash floats and advances	4 967	-	4 967
Current-portion of Long-term Receivables	-	-	-
- Sundry loans	-	58 731	58 731
	14 637 528	**230 645 075**	**245 282 603**

Financial liabilities

	At fair value	At amortised cost	Total
Compound instruments	-	-	-
- Annuity loans	-	126 789 518	126 789 518
Other financial liabilities	-	-	-
- Trade and other payables from exchange transactions	-	147 638 363	147 638 363
- Bank overdraft	150 443	-	150 443
	150 443	**274 427 881**	**274 578 324**

Controlling entity - 2016

41. Financial instruments disclosure (continued)

Financial assets

	At fair value	At amortised cost	Total
Long-term Receivables	-	-	-
- Sundry deposits	-	240 668	240 668
Receivables from Exchange Transactions	-	-	-
- Sewerage	-	24 765 754	24 765 754
- Other trade receivables	-	1 821 087	1 821 087
- Water	-	61 089 682	61 089 682
- Water rates	-	7 924 214	7 924 214
Receivables from Non-Exchange Transactions	-	-	-
- Payments made in advance	-	9 740 266	9 740 266
- Sundry deposits	-	1 604 432	1 604 432
- Sundry debtors	-	15 770 685	15 770 685
Cash and Cash Equivalents	-	-	-
- Call deposits	50 184 752	-	50 184 752
- Notice deposits	-	165 018 579	165 018 579
- Bank balances	43 554 709	-	43 554 709
- Cash floats and advances	4 967	-	4 967
Current-portion of Long-term Receivables	-	-	-
- Sundry loans	-	11 594	11 594
	93 744 428	**287 986 961**	**381 731 389**

Financial liabilities

	At fair value	At amortised cost	Total
Compound instruments	-	-	-
- Annuity loans	-	145 553 238	145 553 238
Other financial liabilities	-	-	-
- Trade and other payables from exchange transactions	-	176 397 203	176 397 203
- Bank overdraft	2 306 145	-	2 306 145
	2 306 145	**321 950 441**	**324 256 586**

Fair value

41. Financial instruments disclosure (continued)

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practical to estimate such value:

Cash and short-term investments

The carrying amount approximates the fair value because of the short maturity of these instruments.

Long-term investments

The fair value of some Investments are estimated based on quoted market prices of those or similar investments. Unlisted equity investments are estimated using the discounted cash flow method.

Loan receivables/payables

Interest-bearing borrowings and receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the fair value of these financial assets and liabilities closely approximates their carrying values. Fixed interest-rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Trade and other receivables/payables

The management of the municipality is of the opinion that the carrying value of trade and other receivables recorded at amortised cost in the annual financial statements approximate their fair values. The fair value of trade receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratio's of the municipality's debtors.

Other financial assets and liabilities

The fair value of other financial assets and financial liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Long-term liabilities

Management considers the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the annual financial statements to approximate their fair values on 30 June 2015, as a result of the short-term maturity of these assets and liabilities.

No financial instruments of the municipality were reclassified during the year

Assumptions used in determining fair value of financial assets and financial liabilities

The table below analyses financial instruments carried at fair value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the fair value of the financial instruments. The levels have been defined as follows:

Level 1: Fair values are based on quoted market prices (unadjusted) in active markets for an identical instrument

Level 2: Fair values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data

41. Financial instruments disclosure (continued)

Level 3: Fair values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instrument

Capital risk management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2011.

The capital structure of the municipality consists of debt, which includes the Long-term Liabilities disclosed in note 14, bank, cash and cash equivalents and equity, comprising accumulated Surplus as disclosed and the statement of changes in net assets.

Gearing Ratio

In terms of the municipality's five year financial plan, financial benchmarks, year-on-year in respect of the debt-to-equity ratio, is reflected at 100%, decreasing to 90%. This ratio is as a result of the developmental challenges faced by the municipality. Some of the borrowings are below market related rates.

The gearing ratio at the year-end was as follows:				
Debt	136 657 781	155 407 428	136 657 781	155 407 428
Cash and cash equivalents	(189 051 278)	(276 260 879)	(180 353 244)	(256 456 861)
	(52 393 497)	**(120 853 451)**	**(43 695 463)**	**(101 049 433)**

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

41. Financial instruments disclosure (continued)

Equity	3 943 427 802	3 889 145 624	3 923 012 838	3 868 889 950
Net debt to equity ratio	1,33 %	3,11 %	1,11 %	2,61 %

Debt is defined as long-term and short-term liabilities, as detailed in Note 14.

Equity includes all funds and reserves of the municipality, disclosed as net assets in the statement of financial performance and net debt as described above.

Financial risk management objectives

The accounting officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the Grap Standards mainly apply. Generally, financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The directorate: Treasury monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports quarterly to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function. Further quantitative disclosures are included throughout these annual financial statements.

Significant risks

It is the policy of the municipality to disclose information that enables the user of its annual financial. It is the policy of the municipality to disclose information that enables the user of its annual financial statements to evaluate the nature and extent of risks arising from financial instruments to which the municipality is exposed on the reporting date. The municipality has exposure to the following risks from its operations in financial instruments.

1. Credit risk
2. Liquidity risk; and
3. Market risk

Risks and exposures are disclosed as follows:

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit risk

Credit risk is the risk of financial loss to the municipality if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

Liquidity risk

41. Financial instruments disclosure (continued)

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

Ultimate responsibility for liquidity risk management rests with the council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included below is a listing of additional undrawn facilities that the municipality has at its disposal to further reduce liquidity risk.

Liquidity and interest risk tables

The municipality ensures that it has sufficient cash on demand or access to facilities to meet expected operational expenses through the use of cash flow forecasts. The following tables detail the municipality's remaining contractual maturity for its nonderivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The table includes both interest and principal cash flows.

Economic Entity:

2017	**6 Month or less**	**6 - 12 Months**	**1 - 2 Years**	**2 - 5 Years**	**More than 5 Years**	**Total**
Non-interest bearing	144 078 104	-	-	-	-	144 078 104
Variable interest rate instruments	150 443	-	-	-	-	150 443
Fixed interest rate instruments	14 047 649	14 047 649	28 095 298	49 454 012	39 492 595	145 137 203
	158 276 196	**14 047 649**	**28 095 298**	**49 454 012**	**39 492 595**	**289 365 750**

2016	**6 Months or less**	**6 - 12 Months**	**1 - 2 Years**	**2 - 5 Years**	**More than 5 Years**	**Total**
Non-interest bearing	185 715 629	-	-	-	-	185 715 629
Variable interest rate	3 036 785	-	-	-	-	3 036 785
Fixed interest rate instruments	14 047 648	14 047 648	28 095 298	66 869 952	50 171 952	173 232 498
	202 800 062	**14 047 648**	**28 095 298**	**66 869 952**	**50 171 952**	**361 984 912**

Controlling entity

2017	**6 Months or less**	**6 - 12 Months**	**1 - 2 Years**	**2 - 5 Years**	**More than 5 Years**	**Total**
Non-interest bearing	144 078 104	-	-	-	-	144 078 104
Variable interest bearing	150 443	-	-	-	-	150 443
Fixed interest rate instruments	14 047 649	14 047 649	28 095 298	49 454 012	39 492 595	145 137 203
	158 276 196	**14 047 649**	**28 095 298**	**49 454 012**	**39 492 595**	**289 365 750**

2016	**6 Moths or less**	**6 - 12 Months**	**1 - 2 Years**	**2 - 5 Years**	**More than 5 Years**	**Total**
Non-interest bearing	185 715 629	-	-	-	-	185 715 629
Variable interest bearing	3 036 785	-	-	-	-	3 036 785
	188 752 414	-	-	-	-	188 752 414

41. Financial instruments disclosure (continued)

Fixed interest rate instruments	14 047 648	14 047 648	28 095 298	66 869 952	50 171 952	173 232 498
	202 800 062	**14 047 648**	**28 095 298**	**66 869 952**	**50 171 952**	**361 984 912**

The following table details the municipality's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the municipality anticipates that the cash flow will occur in a different period.

Economic Entity:

2017	**6 Months or less**	**6 - 12 Months**	**1 - 2 Years**	**2 - 5 Years**	**More than 5 Years**	**Total**
Non-interest bearing	140 338 572	-	-	-	-	140 338 572
Variable interest rate	15 855 231	-	-	-	-	15 855 231
Fixed interest rate instruments	732 438	-	-	-	-	732 438
	156 926 241	**-**	**-**	**-**	**-**	**156 926 241**

2016	**6 Months or less**	**6 - 12 Months**	**1 - 2 Years**	**2 - 5 Years**	**More than 5 Years**	**Total**
Non-interest bearing	154 045 729	-	-	-	-	154 045 729
Variable interest rate	15 855 231	-	-	-	-	15 855 231
Fixed interest rate instruments	732 438	-	-	-	-	732 438
	170 633 398	**-**	**-**	**-**	**-**	**170 633 398**

Controlling Entity:

2017	**6 Months or less**	**6 - 12 Months**	**1 - 2 Years**	**2 - 5 Years**	**More than 5 Years**	**Total**
Non-interest bearing	140 338 572	-	-	-	-	140 338 572
Variable interest rate	15 855 231	-	-	-	-	15 855 231
Fixed interest rate instruments	732 438	-	-	-	-	732 438
	156 926 241	**-**	**-**	**-**	**-**	**156 926 241**

2016	**6 Moths or less**	**6 - 12 Months**	**1 - 2 Years**	**2 - 5 Years**	**More than 5 Years**	**Total**
Non-interest bearing	154 045 729	-	-	-	-	154 045 729
Variable interest rate	15 855 231	-	-	-	-	15 855 231
Fixed interest rate instruments	732 438	-	-	-	-	732 438
	170 633 398	**-**	**-**	**-**	**-**	**170 633 398**

The municipality has access to financing facilities, the total unused amount which is R9,268 million at the balance sheet date. The municipality expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The municipality expects to maintain current debt to equity ratio, within 20-25% limits increasing it to 25%. This will be achieved through the issue of new debt and the increased use of secured bank loan facilities.

Effective interest and repricing analysis

In accordance with Grap 104 (financial instruments) the following tables indicate the average effective interest rates of Income earning Financial Assets and Interest-bearing Financial Liabilities at the reporting date and the periods in which they mature or, if earlier, reprice:

Economic Entity:

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

41. Financial instruments disclosure (continued)

2017	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years	Total
Notice deposits	165 000 000	-	-	-	-	165 000 000
Call deposits	9 103 731	-	-	-	-	9 103 731
Bank balances and cash	14 231 831	-	-	-	-	14 231 831
	188 335 562	**-**	**-**	**-**	**-**	**188 335 562**

2016	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years	Total
Notice deposits	185 734 892	-	-	-	-	185 734 892
Call deposits	36 344 664	-	-	-	-	36 344 664
Bank balances and cash	30 646 700	-	-	-	-	30 646 700
	252 726 256	**-**	**-**	**-**	**-**	**252 726 256**

Controlling Entity:

2017	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years	Total
Notice deposits	165 000 000	-	-	-	-	165 000 000
Call deposits	7 881 921	-	-	-	-	7 881 921
Bank balances and cash	5 960 112	-	-	-	-	5 960 112
	178 842 033	**-**	**-**	**-**	**-**	**178 842 033**

2016	6 Months or less	6 - 12 Months	1 - 2 Years	2 - 5 Years	More than 5 Years	Total
Notice deposits	185 734 892	-	-	-	-	185 734 892
Call deposits	36 344 664	-	-	-	-	36 344 664
Bank balances and cash	10 842 683	-	-	-	-	10 842 683
	232 922 239	**-**	**-**	**-**	**-**	**232 922 239**

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses other publicly available financial information and its own trading records to assess its major customers. The municipality’s exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

Investments/bank, cash and cash equivalents

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

41. Financial instruments disclosure (continued)

The municipality limits its counterparty exposures from its short-term investments (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions short term credit rating of BBB and long-term credit rating of AA- and higher at an International accredited credit rating agency. The municipality’s exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst different types of approved investments and institutions, in accordance with it’s investment policy. Consequently, the municipality is not exposed to any significant credit risk.

Trade and other receivables

Trade and other receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and sanitation services rendered to them.

Trade receivables consist of a large number of customers, spread across diverse industries in the geographical area of the municipality. Periodic credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee is increased accordingly.

Consumer receivables comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment.

In the case of receivables whose accounts become in arrears, it is endeavoured to collect such accounts by “levying of penalty charges”, “demand for payment”, “restriction of services” and, as a last resort, “handed over for collection”, whichever procedure is applicable in terms of council’s credit control and debt collection policy.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

1. The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;

2. A new owner is advised, prior to the issue of a rates clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;

3. The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;

4. The requirement of a deposit for new service connections, serving as guarantee;

5. Encouraging residents to install water management devices that control water flow to households, and/or prepaid meters.

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

41. Financial instruments disclosure (continued)

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the statement of financial position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer.

Long-term receivables and other debtors are individually evaluated annually at statement of financial position date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment/discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities.

The table below shows the balance of the 5 major counterparties at the balance sheet date. Management is of the opinion that, although these parties are the 5 counterparties with highest outstanding balances, no significant credit risk exposure exists, based on the payment history of the parties.

Counterparty and location				
Dr K Nepaul	3 089 294	-	3 089 294	-
Harry Gwala District Municipality	2 093 651	1 364 670	2 093 651	1 364 670
Kunzaan Property Trust	1 018 706	-	1 018 706	-
Murchison Hospital	1 805 179	1 719 169	1 805 179	1 719 169
SA Police (Jail)	-	1 356 171	-	1 356 171
Plattfour Properties CC	952 999	-	952 999	-
Umzumbe Glades Body Corporate	-	954 176	-	954 176
Blue Marlin Hotel	-	941 246	-	941 246
	8 959 829	**6 335 432**	**8 959 829**	**6 335 432**

Except as detailed in the following table, the carrying amount of financial assets recorded in the annual financial statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:

Investments	-	-	200	200
Long-term receivables	89 543	303 589	89 543	303 589
Consumer debtors	366 167 050	296 373 620	366 167 050	296 373 620
Other debtors	21 372 056	27 131 826	21 372 056	27 131 826
Bank, cash and cash equivalents	189 201 721	278 567 024	180 503 687	258 763 006
	576 830 370	**602 376 059**	**568 132 536**	**582 572 241**

The major concentrations of credit risk that arise from the municipality's receivables in relation to customer classification are as follows:

Consumer debtors				
Households	79,00 %	77,00 %	79,00 %	77,00 %
Industrial/Commercial	16,00 %	18,00 %	16,00 %	18,00 %
National and Provincial Government	5,00 %	4,00 %	5,00 %	4,00 %
Other debtors	- %	1,00 %	- %	1,00 %

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

41. Financial instruments disclosure (continued)

	100,00 %	**100,00 %**	**100,00 %**	**100,00 %**
Bank and cash balances				
ABSA Bank Limited	23 154 848	111 228 409	14 462 797	91 468 011
First National Bank of SA Limited	45 131 741	65 018 578	45 131 741	65 018 578
Nedbank Limited	40 000 000	30 000 000	40 000 000	30 000 000
Investec Bank	35 000 000	40 000 000	35 000 000	40 000 000
Standard Bank	45 736 436	30 000 000	45 736 436	30 000 000
Cash equivalents	8 933	13 892	2 950	4 967
	189 031 958	**276 260 879**	**180 333 924**	**256 491 556**

42. Multi-employer retirement benefit information

The municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

Councillors have the option to belong to the Pension Fund for Municipal Councillors.

All full-time employees belong to the KwaZulu-Natal Joint Municipal Pension Fund, which are made up of the Retirement, Superannuation and Provident Funds.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors/employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

Defined benefits schemes

Retirement fund

The scheme is subject to a tri-annual actuarial valuation. The last statutory actuarial valuation was performed as at 31 March 2012 by Arthur Els & Associates.

The statutory actuarial valuation performed as at 31 March 2012 revealed that the fund had a shortfall of R251,5 (31 March 2011: shortfall of R382,3) million, with a funding level of 82,0%(31 March 2011: 84,1%). The contribution rate, including the surcharges below, paid by the members (8,65%) and municipalities (34,22%) was expected to eradicate the shortfall in the fund by 31 March 2015. However, the basic contribution payable is 4,72% less than the required contribution rate.

The actuarial shortfall is taken into account by determining surcharges, to be met by increased contributions. These surcharges amount to 17% of pensionable emoluments, of which 1,65% is payable by members and 15,35% is payable by the local authority.

This surcharge is payable until 31 March 2015. It is necessary that the basic employer contribution be increased by 4,72% to 18,37% and the surcharge be increased to 15,85% (Total employer contribution of 34,22%) and extended by a further 3 years to 31 March 2018. This position will be monitored on an annual basis. Subsequently, notice has been served that the surcharge will be increased to 15,85% with effect from 1 July 2012 for an indefinite period of time. The fund has effectively been closed to new members, and it is therefore assumed for the valuation, that no new members will join the fund. However, at present, members of the three Natal Joint Funds are permitted to transfer between the funds and this flow of members may affect the rate of contribution required to be paid to the Fund. It is intended that the Fund merge with the Superannuation Fund in the near future.

Superannuation fund

The scheme is subject to a tri-annual actuarial valuation. The last interim actuarial valuation was performed as at 31 March 2012 by Arthur Els & Associates.

42. Multi-employer retirement benefit information (continued)

The interim actuarial valuation performed as at 31 March 2012 revealed that the fund had a shortfall of R270,0 (31 March 2011: R549,5) million, with a funding level of 96,0% (31 March 2011: 90,9%). The contribution rate paid by the members (9,25%) and municipalities (18,00%) is 3,63% (31 March 2011: 3,63%) less than the required contribution rate for future service and will be reviewed at the next interim valuation. The deficit in respect of active members is being met by a surcharge of 9,5% of pensionable salaries to meet the shortfall within the 8 year period provided for in the scheme. It was expected that the deficit will be fully funded by 2020.

This surcharge is payable until 31 March 2020. It is necessary that the basic employer contribution be increased by 3,63% to 21,63% and the surcharge be increased to 9,5% and extended by a further 8 years to 31 March 2020. This position will be monitored on an annual basis. Subsequently, notice has been served that the surcharge will be increased to 31,13% with effect from 1 July 2012 for an indefinite period of time.

It is intended that the fund merge with the retirement fund in the near future.

Defined contributions schemes

Municipal councillors pension fund.

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 31 March 2012.

The statutory valuation performed as at 30 June 2011 revealed that the market value of the fund was R1 446,8 (30 June 2010: R1 446,8) million. The contribution rate paid by the members (13,75%) and Council (15,00%) is sufficient to fund the benefits accruing from the fund in the future.

As reported by the actuaries, the fund was in a sound financial condition as at 30 June 2017.

Provident fund

The scheme is subject to a tri-annual actuarial valuation. The last statutory actuarial valuation was performed as at 31 March 2012 by Arthur Els & Associates.

The statutory actuarial valuation performed as at 31 March 2012 revealed that the market value of the fund was R1 293,4 (31 March 2011: R1 056,2) million. The contribution rate payable (either 5,00%, 7,00% or 9,25% by the member and 1,95 times the member’s contributions by the employer), is sufficient to cover the cost of benefits and expenses and the fund was certified to be in sound financial condition as at 31 March 2012.

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

43. Commitments

Authorised capital expenditure

Already contracted for but not provided for				
• Property, plant and equipment	547 309 354	609 843 160	547 309 354	609 843 160
• Other	65 441 871	97 964 654	65 441 871	97 964 654
	612 751 225	**707 807 814**	**612 751 225**	**707 807 814**
Not yet contracted for and authorised by accounting officer				
• Property, plant and equipment	98 368 201	98 642 426	98 368 201	98 642 426
Total capital commitments				
Already contracted for but not provided for	612 751 225	707 807 814	612 751 225	707 807 814
Not yet contracted for and authorised by accounting officer	98 368 201	98 642 426	98 368 201	98 642 426
	711 119 426	**806 450 240**	**711 119 426**	**806 450 240**

Authorised operational expenditure

Already contracted for but not provided for				
• Ugu South Coast Tourism - Operating expenditure	1 626 857	3 346 225	-	-
• South Coast Development Agency - Operating expenses	-	2 036 207	-	-
	1 626 857	**5 382 432**	**-**	**-**
Total operational commitments				
Already contracted for but not provided for	1 626 857	5 382 432	-	-

Total commitments

Total commitments				
Authorised capital expenditure	711 119 426	806 450 240	711 119 426	806 450 240
Authorised operational expenditure	1 626 857	5 382 432	-	-
	712 746 283	**811 832 672**	**711 119 426**	**806 450 240**

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

44. Contingent assets and contigent liabilities

Guarantees:				
i) Ray Nkonyeni Municipality (Ex, Hibiscus Coast Municipality): The Municipality issued a bank guarantee in favour of Hibiscus Coast Municipality in lieu of a deposit on the electricity accounts of the Municipality.	10 000	10 000	10 000	10 000
(ii) Eskom: The Municipality issued a bank guarantee in favour of Eskom to cover deposits on the electricity accounts of the Municipality.	2 852 000	2 852 000	2 852 000	2 852 000
(iii)South African Post office:The municipality issued a bank guarantee in favour of South African Post office.	200 000	200 000	200 000	200 000
	3 062 000	**3 062 000**	**3 062 000**	**3 062 000**

Contigent liabilities				
(i) Alleged Breach of Contract: Council has been involved in a court case with Thumbprint Events Management, where it is alleged that the Municipality has unilaterally repudiated a contract. Applicant is claiming unpaid invoices and damages in terms of what would have been due to them had the contract not been repudiated by the Municipality. The Municipality is defending this action and awaits a court date. The total claim is valued at R875 258. 46 plus 30% of envisaged gate takings for two events and 25% of sale of floor space for two events (excluding VAT). The legal opinion is bieng solicited on offer of R786 000. The matter is expected to be finalised by 30 September 2017.	786 000	875 248	786 000	875 248
(ii)The Municipality is enjoined with Umzumbe Municipality in litigation with MP & RV Conco regarding alleged illegal encroachment by the Municipalities. The applicants are wanting rehabilitation of their land. Valuation has been concluded and cost of the land is R 564 760 (R70.00 per square metre) This matter is expected to be finalised by 30 September 2017.	564 760	-	564 760	-
(iii) The parent municipality of the entity mandated consultants to assist in regularising their Value Added Taxation affairs. Upon conclusion of the said assignment, an ancillary finding was communicated to the parent, by the consultants, in that the grant funding charged out by the entity should indeed be Vatable. The entity has never levied Value Added Taxation on grants. The directors do not agree with the opinion of the consultants and have initiated steps to obtain a direct ruling from the South African Revenue Services. In any case, there is no loss to the fiscus as any possible effects are inter-governmental with all output directly corresponding with equal and opposite inputs on the governmental partner. Furthermore, the entity has been audited directly and specifically by the South African Revenue Services on it`s grants and no findings were made.	-	-	-	1

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016
44. Contingent assets and contigent liabilities (continued)				
iv) Due to a vat query raised by KPMG in October 2015 with regards to Ugu District Municipality, Ugu - South Coast Tourism logged a VAT rulling request with SARS, regarding whether the grant funding paid to municipal entities should be raised including vat or at the zero rate, which has been the case since the inception of the entity in 2009. To date, there has been no written confirmation on this matter however, in reviewing the VAT Act, it does appear that grant funding to municipal entities should include vat at 14%.	-	-	-	7 004 003
v) Claim fo loss of life due to alleged negligence: The municipality is enjoined with Umuziwabantu Municipality in litigation instituted by Mahlawe family who allege that due to the Municipalities' negligence, a family member died. Applications are claiming damages, interest and costs. Municiaplities are currently in discussions as there is a dispute regarding ownership of the relevant infrastructure.	2 265 000	-	2 265 000	-
vi) Application for Review of Proceedings: The Municipality is enjoined with the MBAT in an application made for the review of a decison reached by MBAT at an appeal hearing in respect of security services tender. Court adjourned for representations from other respondents. Matter expected to be finalised by December 2017. Cost indeterminable at this point.	-	-	-	1
vii) Claim fo Loss of life due to alleged negligence: The Municipality is the subject of litigation instituted by Gramany family who allege that due to the Municipalities' negligence, a family member died. Applicants are claiming damages, interest and costs. Damages claim is for R1 347 538.00, excludng interest and costs	1 347 538	-	1 347 538	-
	4 963 298	**875 248**	**4 963 298**	**7 879 253**

Contigent assets				
i) Claim instituted by Municipality against Sanlam: The Municipality is claiming contribution made to an erstwhile life assurance scheme, pursuant to Sanlam's undertaking in writing to reimburse same.	-	-	-	1
ii) Claim instituted by Municipality against Eyethu Translodge & Plant Hire (Pty) Ltd: The Municipality is claiming an amount erroneously paid, in contravention of court order.	340 343	-	340 343	-
iii) Due to a vat query raised by KPMG in October 2015 with regards to Ugu District Municipality, Ugu - South Coast Tourism logged a VAT rulling request with SARS, regarding whether the grant funding paid to municipal entities should be raised including vat or at the zero rate, which has been the case since the inception of the entity in 2009. To date, there has been no written confirmation on this matter however, in reviewing the VAT Act, it does appear that grant funding to municipal entities should include vat at 14%.	-	-	-	7 004 003
iv) An objetcion was lodged with SARS regarding assessments and journals that appearing on Ugu's SARS statement. The amount of R6 590 567 is receivable depending on completion of an assessment by SARS.	-	6 590 567	-	6 590 567
	340 343	**6 590 567**	**340 343**	**13 594 571**

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

45. Related parties

Relationships

Mr DD Naidoo (Accounting Officer)	Refer to accounting officer's report note
Controlled entities	Refer to note 13
Ms V Tsako (General Manager: Corporate Services)	Section 57 employee
Ms LH Cele (General Manager: Water Services)	Section 57 employee
Ms SP Ngilande (General Manager: Budget and Treasury Office)	Section 57 employee
Ms Z Mbonane (General Manager: Infrastructure & Economic Development)	Section 57 employee
Mr J Mackrory (USCT: Chief Executive Officer)	Ugu South Coast Tourism: Chief Executive Officer
Ms Deborah Ludick (General Manager: Finance and Human Resources)	Ugu South Coast Tourism: Section 57 employee
Mr M Mabece (USCDA: Chief Executive Officer)	Ugu South Coast Development Agency: Chief Executive Officer
Ms EJ Crutchfield (USCDA(Acting): Chief Executive Officer)	Ugu South Coast Development Agency: Acting Chief Executive Officer (Resigned)
Mr KMN Duma (USCDA: General Manager: Finance and Human Resources)	Ugu South Coast Development Agency: Section 57 employee
Mr S Chagi (USCDA: General Manager: Projects)	Ugu South Coast Development Agency: Section 57 employee

Municipality and individuals as well as their close family members, and /or entities are related parties if one has the ability, directly, indirectly to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

The municipality procured goods and/or services from the following companies, which are considered to be related parties:

Related party transactions

Grants and tranfers from /(to) related parties				
Ugu South Coast Tourism (Pty) Ltd			12 175 726	11 595 930
Ugu South Coast Development Agency NPC			5 512 500	5 250 000
EFG (Proprietary) Limited			-	-
			17 688 226	**16 845 930**

Transactions with key management personnel (Ugu District Municipality)				
Councillors			8 323 243	8 967 257
Municipal Manager and Section 57 personnel			7 130 716	6 756 668
			15 453 959	**15 723 925**

Transactions with key management personnel (Ugu South Coast Tourism)				
Board of directors			180 525	149 400
Senior management			2 388 667	1 772 474
			2 569 192	**1 921 874**

Transactions with key management personnel (Ugu South Coast Development Agency)				
Board of directors			909 282	437 091
Senior management			3 086 317	1 720 934
			3 995 599	**2 158 025**

The transactions were concluded in full compliance with the municipality's Supply Chain Management Policy and the transactions are considered to be at arm's length.

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

45. Related parties (continued)

In terms of GRAP 20 para 35 remuneration paid by Ugu District municipality to councillors and Municipal Manager and section 57 personnel respectively is a related party transaction.

- The municipality did not conduct any business with any service provider that can be considered a related party.
- The municipality did not trade with service providers that are I the employment nor blacklisted by Treasury.
- The disclosure in relation to paragraph 35 of GRAP 20, remuneration paid by UGU District municipality to councillors and Municipal Manager and section 57.
- Key Management and Councillors have direct or indirect significant control over the municipality.
- No transactions with related parties other than that key management and councils were identified during 2016/17.

46. Prior period errors

Corrections were made during the previous financial years. Details of the corrections are described below:

Receivables from exchange transactions				
Report Amount	-	59 138 600	-	58 696 872
Correction of error	-	980 663	-	980 663
	-	**60 119 263**	**-**	**59 677 535**

During the current financial period it was noted that journal for unbilled debtors during the 2014/15 period was not reversed during the 2015/16 financial period. Therefore a journal amount to R280 663 has to be reversed as prior period error.

The amount of debtor totaling to R700 000 for Umzumbe municipality was not raised as debtor during 2015/16 financial period. Therefore a debtor was not recognised. Therefore an adjustment as prior period error.

Property, plant and equipment - Economic Entity	**Year**	**Land and Buildings**	**Other PP&E**	**Infrastructure**	**Total**
Reported Amount	2015/16	162 601 186	47 851 540	3 785 943 139	3 996 395 865
Correction of error	2015/16	-	(1 407 615)	(144 338 155)	(145 745 770)
		162 601 186	**46 443 925**	**3 641 604 984**	**3 850 650 095**

Property, plant and equipment - Controlling Entity	**Year**	**Land and Buildings**	**Other PP&E**	**Infrastructure**	**Total**
Report Amount	2015/16	162 601 186	46 408 662	3 785 943 139	3 994 952 987
Correction of error	2015/16	-	(1 407 615)	(144 338 155)	(145 745 770)
		162 601 186	**45 001 047**	**3 641 604 984**	**3 849 207 217**

During the current financial period it was noted that some of the Infrastrcuture (Work-in-progress) projects were identified to be slow moving or abondoned with various reasons. After assessment the projects were to be impaired in the prior year.

Vat receivable				
Reported Amount	-	36 329 808	-	36 461 097
Correction of error	-	(6 590 567)	-	(6 590 567)
	-	**29 739 241**	**-**	**29 870 530**

The amount of R6 590 567 that was receivable from SARS, but has not been received in the bank and is not included in SARS statement of balances. The objection has been lodged with SARS and assessment is still in progress. A contigent asset has been disclosed. Refer to note 44. The amount has been reversed in the prior period as material prior period error.

Statement of financial position				
Property, plant and equipment	-	(147 572 883)	-	(147 572 883)
Receivables from exchange transactions	-	980 663	-	980 663
	-	**(146 592 220)**	**-**	**(146 592 220)**

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

46. Prior period errors (continued)

Statement of financial performance				
Revenue - Service charges	-	980 663	-	980 663
Impairment loss	-	(147 572 883)	-	(147 572 883)
	-	**(146 592 220)**	**-**	**(146 592 220)**

Other Disclosure

Commitments

During the current financial period the capital commitments has been restated as result of mistatements noted from the prior year balances. The prior year balances of capital commitments was re-stated. Refer to note 43.

Commitments reported				
Reported Amount	-	554 969 884	-	554 969 884
Restated Amount	-	802 652 423	-	802 652 423
Commitments Adjustment	**-**	**247 682 539**	**-**	**247 682 539**

47. Comparative figures

The comparative figures were restated as a result of effect of prior period errors.

48. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

49. Events after the reporting date

There has been no non-adjusting events after the reporting date.

50. Unauthorised expenditure

Opening balance	113 949 531	310 376 720	113 949 531	310 376 720
Unauthorised expenditure for period	161 195 351	113 949 531	161 195 351	113 949 531
Unauthorised expenditure written-off during the period	-	(310 376 720)	-	(310 376 720)
	275 144 882	**113 949 531**	**275 144 882**	**113 949 531**

Incident

Budgeted amounts exceeded:

Disciplinary steps/ criminal proceedings: Investigations are being conducted by the internal audit.

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

50. Unauthorised expenditure (continued)

Cash line items				
Personnel (Employee costs)	19 532	-	19 532	-
Lease rentals on operating lease	1 563 216	1 100 086	1 563 216	1 100 086
Bulk purchases	6 932 181	-	6 932 181	-
Non-cash line items				
Depreciation and amortisation	74 997 103	75 598 213	74 997 103	75 598 213
Impairment loss	40 098 251	37 079 215	40 098 251	37 079 215
Bad debts written-off	-	172 017	-	172 017
	37 585 068	-	37 585 068	-
	161 195 351	**113 949 531**	**161 195 351**	**113 949 531**

51. Fruitless and wasteful expenditure

Opening balance	1 141 608	3 212 403	1 139 380	3 212 403
Penalty on vehicle licence fee	83	-	-	-
Other Fruitless and wasteful expenditure - Interest on late payment	252 913	40 417	42 372	35 228
Fruitless and wasteful expenditure - trafic fine	379	-	-	-
Fruitless and wasteful expenditure - Legal fees	-	37 276	-	37 276
Fruitless and wasteful expenditure - Interest on legal fees	-	340 958	-	340 958
Fruitless and wasteful expenditure - SARS Penalties	619 068	45 773	619 068	45 773
Fruitless and wasteful expenditure - additional collection fee	-	2 200	-	-
Fruitless and wasteful expenditure - SARS Interest	4 784	680 145	4 784	680 145
Fruitless and wasteful expenditure - late cancellations	1 706	980	-	-
Fruitless and wasteful expenditure written-off	(3 934)	(3 218 544)	-	(3 212 403)
	2 016 607	**1 141 608**	**1 805 604**	**1 139 380**

Disciplinary steps/criminal proceedings:

Investigations are being conducted by internal audit on the "fruitless and wasteful expenditure" for the current year.

Disciplinary action is in progress for the prior year's fruitless and wasteful.

52. Irregular expenditure

Opening balance	142 509 218	153 568 391	142 471 834	151 888 760
Add: Irregular Expenditure - current year	31 174 275	6 745 183	19 586 861	6 707 799
Less: Amounts written-off	(37 384)	(17 804 356)	-	(16 124 725)
	173 646 109	**142 509 218**	**162 058 695**	**142 471 834**

Analysis of expenditure awaiting condonation per age classification

Current year	31 174 275	6 745 183	19 586 861	6 707 799
Prior years	142 485 834	135 778 035	142 471 834	135 764 035
	173 660 109	**142 523 218**	**162 058 695**	**142 471 834**

52. Irregular expenditure (continued)

Details of irregular expenditure – current year - Economic entity

	Disciplinary steps taken/criminal proceedings	
Expenditure contrary to the provisions of Regulation 44 of the Municipal Supply Chain Management Regulations	A report will be adopted by the Executive Committee, writting-off the "Irregular Expenditure".	5 629 138
Expenditure according to the provisions of Regulation 36 of Municipal Supply Chain Management Regulations	Investigations are conducted by an internal audit.	14 214 858
Expenditure according to the provisions of Regulation 22 of Municipal Supply Chain Management Regulations: long-term contracts advertised for a period less than 30 days.	Investigations are conducted by an internal audit.	11 330 279
		31 174 275

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

52. Irregular expenditure (continued)

Details of irregular expenditure – current year - Controlling entity

	Condoned by (condoning authority)	
Expenditure contrary to the provisions of Regulation 44 of the Municipal Supply Chain Management Regulations	A report will be adopted by the Executive Committee, writting-off the "Irregular Expenditure".	5 629 138
Expenditure according to the provisions of Regulation 36 of Municipal Supply Chain Management Regulations	Investigations are conducted by an internal audit.	2 627 444
Expenditure according to the provisions of Regulation 22 of Municipal Supply Chain Management Regulations: long-term contracts advertised for a period less than 30 days.	Investigations are conducted by an internal audit.	11 330 279
		19 586 861

Department	Date	Successful tenderer	Reason	Economic Entity	Controlling Entity
Water Services	29 November 2016	Kamawewe Development Consultants (KDC)	Variation order number 4 has exceeded 20% threshold	2 287 101	2 287 101
Budget and Treasury Office	30 June 2017	Eyethu Translodge & Plant Hire (Pty) Ltd	The municipality is claiming an amount that was erroneously paid. Refer to contigent asset note 42.	340 343	340 343
Ugu South Coast Tourism	30 June 2017		Service provider without a tax clearance certificate	72 190	-
Ugu South Coast Development Agency	30 June 2017		Non-adherence to supply chain process	11 515 224	-
				14 214 858	**2 627 444**

Furthermore, the municipality has made the following awards to persons in service of Government institutions contrary to the provisions of paragraphs 44 of the Municipal Supply Chain Management Regulations:

Company Name	Related Person	Municipal Capacity	Purchases for year	Purchases for year
Arch Actuarial Cons	C Wiess	Human Science Research Council	11 000	9 120
Business Connexion	NN Kekana	Gauteng Film Commission	103 688	995 064
Minolco (Pty) Ltd	KR Mthimunye	State Information Technology Agency	49 307	107 643

Notes to the Consolidated Financial Statements

			Economic entity		Controlling entity	
Figures in Rand			2017	2016	2017	2016

52. Irregular expenditure (continued)

Nashua Communications	D Nchoba	NAT: Arts & Culture	1 262 075	645 918
WCO Africa (Pty) Ltd T/A SANI	TS Setshedi	Tshwane Universitity Of Technology	1 098 482	1 238 441
Illovo Sugar Ltd	M Hankinson	Transnet Group	394 534	383 430
Aurecon Sa (Pty) Ltd	Z Ebrahim	Social Housing Regulatory Authority	2 404 222	895 568
Pricewaterhousecoopers Combined Systems Pty Ltd	PJ Mothibe	Independent Regulatory Board For Auditors	35 025	15 219
Consolidated African Technolog	SS Ntsaluba	National Energy Regulator Of South Africa	100 643	157 889
CQS Technology Holdings	IB Skosana	Transnet Group	170 162	91 851
			5 629 138	**4 540 143**

Supplier	Contract Number				
MABHAKUBHAKU TRADING PTY LTD	UGU- 05-1380-2016	201 610	-	201 610	-
DARK OR BLUE MARKETING AND COMMUNICATIONS	UGU -09-1398-2016	245 000	-	245 000	-
DARK OR BLUE MARKETING AND COMMUNICATIONS	UGU-09-1388-2016	180 000	-	180 000	-
HR LITHOGRAPHIC PRINTER CC	UGU-09-1399-2016	96 471	-	96 471	-
SHELLY TRAVEL	UGU-06-1387-2016	379 073	-	379 073	-
CITY OF CHOICE	UGU-06-1387-2016	111 928	-	111 928	-
JOAT	UGU-07-1409-2016	1 195 317	-	1 195 317	-
SONANI TRAINNING AND COMMUNICATION	UGU-07-1406-2016	473 133	-	473 133	-
ZODWA SKILLS	UGU-07-1406-2016	176 666	-	176 666	-
FULL PAMA	UGU-07-1406-2016	106 900	-	106 900	-
ALL CONNECTIONS	UGU-07-1406-2016	53 480	-	53 480	-
MAGUMZANE TRADING CC	UGU-07-1406-2016	60 753	-	60 753	-
SPECTRUM PTY LTD	UGU-07-1406-2016	91 000	-	91 000	-
LNY CONSTRUCTION	UGU-07-1367-2016	737 832	-	737 832	-
SOMPISI	UGU-05-1367-2016	2 087 675	-	2 087 675	-
EMHLUNGWINI	UGU-07-1381-2016	1 366 402	-	1 366 402	-

		Economic entity		Controlling entity	
Figures in Rand		2017	2016	2017	2016

52. Irregular expenditure (continued)

FS GONZALVES	UGU-07-1384-2016 7/2	2 757 561	-	2 757 561	-
YASEER TRADING CC	SPU047653	182 250	-	182 250	-
MZANZI LDK TRADING CC	SPU049656	40 500	-	40 500	-
CMH VUWANI	UGU-05-1357-2015 7/2	30 020	-	30 020	-
ABSA BANK Limited	UGU-06-1371-2016	656 708	-	656 708	-
		11 230 279	**-**	**11 230 279**	**-**

53. Water losses

Water losses				
Unaccounted water losses	29 588 217	27 141 118	29 588 217	27 141 118

Water losses occur due to inter alia, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tempered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repaired as soon as they are reported.

A five-year strategic non-revenue water reduction was adopted and implemented by the Executive Committee in May 2014. The below-mentioned technical information was derived at as part of the implementation plan:

Volumes in ML/year:	**2017 ML/Year**	**2016 ML/Year**	**2017 ML/Year**	**2016 ML/Year**
System input volume	45 067	41 840	45 067	41 840
Billed authorised consumption	33 304	30 760	33 304	30 760
Unbilled authorised consumption	411	207	411	207
Apparent losses	3 599	3 423	3 599	3 423
Real losses	7 998	7 450	7 998	7 450
Estimated non-revenue water	11 765	11 080	11 765	11 080
	102 144	**94 760**	**102 144**	**94 760**

Number of connections	60 987	44 605	60 987	44 605

Real losses %	17,75 %	17,81 %	17,75 %	17,81 %
Water losses %	25,19 %	25,99 %	25,19 %	25,99 %
Non-revenue water %	26,10 %	26,48 %	26,10 %	26,48 %
	69,04 %	**70,28 %**	**69,04 %**	**70,28 %**

54. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	3 675 661	2 673 470	3 675 661	2 673 470
Amount paid - current year	(3 675 661)	(2 673 470)	(3 675 661)	(2 673 470)
	-	-	-	-

No amounts were outstanding at the end of the financial year.

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

54. Additional disclosure in terms of Municipal Finance Management Act (continued)

Audit fees

Opening balance	24 661	25 441	-	-
Current year subscription / fee	3 740 676	3 765 918	3 210 452	3 090 207
Amount paid - current year	(3 740 676)	(3 747 363)	(3 210 452)	(3 090 207)
Amount paid - previous years	(24 661)	(19 335)	-	-
	-	**24 661**	**-**	**-**

No amounts were outstanding at the end of the financial year.

PAYE and UIF

Opening balance	3 482 779	-	3 482 779	-
Current year subscription / fee	56 684 217	41 997 910	54 988 222	40 363 103
Amount paid - current year	(56 684 217)	(38 515 131)	(54 988 222)	(36 880 324)
Amount paid - previous years	(3 482 779)	-	(3 482 779)	-
	-	**3 482 779**	**-**	**3 482 779**

No amounts were outstanding at the end of the financial year.

Pension and Medical Aid Deductions

Current year subscription / fee	77 710 587	63 604 344	77 049 520	63 100 259
Amount paid - current year	(77 710 587)	(63 604 344)	(77 049 520)	(63 100 259)
	-	**-**	**-**	**-**

No amounts were outstanding at the end of the financial year.

VAT

VAT receivable	18 743 266	29 739 241	18 575 169	29 870 530

VAT output payables and VAT input receivables are shown in note 7.

All VAT returns have been submitted by the due date throughout the year.

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

54. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2017:

30 June 2017	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor IM Mavundla	125	52	177
Councillor MA Manyoni	251	27 002	27 253
Councillor GD & JE Henderson	747	1 346	2 093
Councillor MA & ZP Chiliza	2 846	2 397	5 243
Councillor NH Gumede	2 492	2 956	5 448
Councillor TB Cele	125	1 489	1 614
	6 586	**35 242**	**41 828**

30 June 2016	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor VL Ntanza	2 749	6 961	9 710
Councillor ST & PY Gumede	2 161	1 598	3 759
Councillor ST Gumede	119	198	317
Councillor TN Dzingwa	1 165	93	1 258
Councillor NH Gumede	2 591	-	2 591
Councillor NA Madlala	123	-	123
Councillor MA & ZP Chiliza	166	-	166
Councillor MJ Sibango	972	-	972
Councillor Y Nair	1 521	-	1 521
Councillor SM Zuma	79	-	79
Councillor IM Mavundla	57	-	57
Councillor SB & SP Cele	41	-	41
	11 744	**8 850**	**20 594**

Non-compliance

In terms on Section 125 (2) (e) of Municipal Finance Management Act 2003, there were no non-compliance were identified during the financial period.

55. S36 Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the Council and includes a note to the annual financial statements.

Deviations from the tender stupulations in terms of the municipality's Supply Chain Management Policy were presented to the Executive Committee, which condoned the various cases.

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

55. S36 Deviation from supply chain management regulations (continued)

Department	**Reason**	**Sub-section**	**Amount 2017**	**Amount 2016**
Water Services	Emergency	S36(i)	7 111 762	-
Water Services	Extension of a light and heavy duty contract	S36(v)	6 626 489	-
Office of Municipal Manager	Contract expired, in a process to award a new contract	S36(v)	542 969	-
Corporate Services	Agent	S36(ii)	100 000	150 000
Corporate Services	Contract expired, in a process to award a new contract for security services	S36(v)	18 117 535	8 235 384
Corporate Services	Security at MM's residence	S36(i)	160 920	-
Office of Municiapl Manager	Mayor's memorial service - Impractical to follow SCM process	S36(ii)	271 092	-
Corporate Services	No venue was available at that time	S36(v)	8 550	-
Budget and Treasury Office	Customer database information required for the implementation of the Sage Evolution ERP set up	S36(v)	2 037 487	-
Corporate Services	Emergency	S36(i)	-	4 836 471
Water Services	Sole Supplier	S36(ii)	-	56 440
Total for controlling entity	-	-	34 976 804	13 278 295
Ugu South Coast Tourism	Sole supplier	S36(ii)	836	28 237
Ugu South Coast Tourism	Impractical to get three quotations	S36(ii)	1 829 949	2 166 072
Ugu South Coast Development Agency	Sole supplier	S36(ii)	-	15 960
Ugu South Coast Development Agency	Impractical to follow SCM process	S36(v)	1 876 179	339 975
Total for economic entity			**38 683 768**	**15 828 539**

In terms of Section 36(2) of the Supply Chain Management Policy approved by Council it is stipulated that bids where the formal procurement processes could not be followed, must be noted in the financial statements.

Notes to the Consolidated Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2017	2016	2017	2016

55. S36 Deviation from supply chain management regulations (continued)

The majority of the items mentioned resulted from flood damage that had to be addressed at short notice and the response times did not allow for the complete procurement process to be followed. The balance of items was due to emergency circumstances and economic benefits for the municipality.

Deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were presented to the Executive Committee, which condoned the various cases.

Schedule of external loans as at 30 June 2017

	Loan Number	Redeemable	Balance at 30 June 2016 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2017 Rand	Short-term portion 30 June 2017 Rand	Interest paid during period Rand
Development Bank of South Africa								
DBSA Loan	101980/001	31/03/2022	13 533 649	-	1 986 349	11 547 300	2 086 907	652 089
DBSA Loan	101980/002	30/06/2023	17 225 256	-	1 799 534	15 425 722	1 933 551	838 904
DBSA Loan	102756/001	30/06/2029	50 809 470	-	2 987 238	47 822 232	3 140 071	2 415 244
			81 568 375	**-**	**6 773 121**	**74 795 254**	**7 160 529**	**3 906 237**
Other loans								
DBSA (Ex Hibiscus Coast)	Various	Various	8 516 787	-	679 653	7 837 134	1 271 921	-
DBSA (Ex Umdoni)	Various	Various	171 634	-	-	171 634	171 634	-
DBSA (Ex Umuziwabantu)	Various	Various	93 909	-	-	93 909	50 994	-
			8 782 330	**-**	**679 653**	**8 102 677**	**1 494 549**	**-**
Annuity loans								
ABSA Bank	4076267341	30/06/2020	55 202 533	-	11 548 065	43 654 468	12 935 724	5 867 876
			55 202 533	**-**	**11 548 065**	**43 654 468**	**12 935 724**	**5 867 876**
Total external loans								
Development Bank of South Africa			81 568 375	-	6 773 121	74 795 254	7 160 529	3 906 237
Other loans			8 782 330	-	679 653	8 102 677	1 494 549	-
Annuity loans			55 202 533	-	11 548 065	43 654 468	12 935 724	5 867 876
			145 553 238	**-**	**19 000 839**	**126 552 399**	**21 590 802**	**9 774 113**

Ugu District Municipality
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Analysis of property, plant and equipment as at 30 June 2017

	Cost							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Under Construction Rand	Disposals Rand	Transfers Rand	Fair Value Adjustment Rand	Closing Balance Rand	Opening Balance Rand	Depreciation Rand	Transfers Rand	Disposals Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land: Developed	57 761 131	-	-	-	-	-	**57 761 131**	-	-	-	-	-	**-**	57 761 131
Office buildings	31 990 499	-	-	-	-	-	**31 990 499**	(5 252 626)	(566 657)	-	-	-	**(5 819 283)**	26 171 216
Other buildings	13 124 723	-	-	-	-	-	**13 124 723**	(8)	(1 528)	-	-	-	**(1 536)**	13 123 187
Buildings Sewerage	63 202 970	-	-	-	-	-	**63 202 970**	(20 224 950)	(1 264 059)	-	-	-	**(21 489 009)**	41 713 961
Buildings Water Supply	32 352 129	1 991 877	5 016 876	-	-	-	**39 360 882**	(10 352 682)	(647 043)	-	-	-	**(10 999 725)**	28 361 157
	198 431 452	**1 991 877**	**5 016 876**	**-**	**-**	**-**	**205 440 205**	**(35 830 266)**	**(2 479 287)**	**-**	**-**	**-**	**(38 309 553)**	**167 130 652**
Infrastructure														
Sewer Reticulation	478 855 109	-	-	-	-	-	**478 855 109**	(292 478 008)	(7 696 790)	-	-	-	**(300 174 798)**	178 680 311
Sewer Pumping Stations	35 246 794	-	26 115 102	-	-	-	**61 361 896**	-	-	-	-	-	**-**	61 361 896
Sewer Treatment Works	1 972 199 540	-	-	-	-	-	**1 972 199 540**	(945 737 401)	(62 115 771)	-	-	-	**(1 007 853 172)**	964 346 368
Sewer Telementry	12 507 470	-	-	-	-	-	**12 507 470**	(8 712 751)	(780 612)	-	-	-	**(9 493 363)**	3 014 107
Sewer Electrical Equipment	2 724 423	-	-	-	-	-	**2 724 423**	-	-	-	-	-	**-**	2 724 423
Dams & Wiers	19 355 820	-	11 499 814	-	-	-	**30 855 634**	-	-	-	-	-	**-**	30 855 634
Reservoirs and Tanks	85 403 198	-	2 490 476	-	-	-	**87 893 674**	(67 605 046)	(2 160 655)	-	-	-	**(69 765 701)**	18 127 973
Underground Chambers	2 263 406	-	-	-	-	-	**2 263 406**	(158 400)	(113 170)	-	-	-	**(271 570)**	1 991 836
Pipework	4 542 518 565	-	99 426 184	-	(211 352 604)	-	**4 430 592 145**	(3 285 041 237)	(87 343 900)	173 741 088	-	-	**(3 198 644 049)**	1 231 948 096
Water Pump Stations	308 279 145	24 473 849	8 218 673	-	-	-	**340 971 667**	(43 033 692)	(15 445 657)	-	-	-	**(58 479 349)**	282 492 318
Water Treatment Works	179 299 192	-	-	-	-	-	**179 299 192**	(54 314 070)	(8 841 557)	-	-	-	**(63 155 627)**	116 143 565
Water reticulation	431 501 678	-	310 858	-	-	-	**431 812 536**	-	-	-	-	-	**-**	431 812 536
Bulk meters	8 797 131	-	-	-	-	-	**8 797 131**	-	-	-	-	-	**-**	8 797 131
Standpipes	38 015 656	-	-	-	-	-	**38 015 656**	(25 358 699)	(1 702 877)	-	-	-	**(27 061 576)**	10 954 080
Supply and Reticulation	217 223 264	-	90 768 501	-	-	-	**307 991 765**	-	-	-	-	-	**-**	307 991 765
Telementry System	6 775 500	-	-	-	-	-	**6 775 500**	(3 742 157)	(431 926)	-	-	-	**(4 174 083)**	2 601 417
Valves	11 629 138	-	-	-	-	-	**11 629 138**	(830 410)	(577 041)	-	-	-	**(1 407 451)**	10 221 687
Water Electrical Equipment	4 820 040	-	-	-	-	-	**4 820 040**	-	-	-	-	-	**-**	4 820 040
Water Meter Protection	8 808 481	-	-	-	-	-	**8 808 481**	(404 831)	(1 555 107)	-	-	-	**(1 959 938)**	6 848 543
	8 366 223 550	**24 473 849**	**238 829 608**	**-**	**(211 352 604)**	**-**	**8 418 174 403**	**(4 727 416 702)**	**(188 765 063)**	**173 741 088**	**-**	**-**	**(4 742 440 677)**	**3 675 733 726**

Ugu District Municipality

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Analysis of property, plant and equipment as at 30 June 2017

	Cost							Accumulated depreciation						
	Opening Balance Rand	**Additions Rand**	**Under Construction Rand**	**Disposals Rand**	**Transfers Rand**	**Fair Value Adjustment Rand**	**Closing Balance Rand**	**Opening Balance Rand**	**Depreciation Rand**	**Transfers Rand**	**Disposals Rand**	**Impairment loss Rand**	**Closing Balance Rand**	**Carrying value Rand**
Specialised vehicles														
Graders	651 270	-	-	(411 219)	-	-	**240 051**	(617 441)	(16 961)	-	411 219	-	**(223 183)**	16 868
Watercraft	28 250	-	-	-	-	-	**28 250**	(28 250)	-	-	-	-	**(28 250)**	-
Catapillar	753 288	-	-	-	-	-	**753 288**	(334 926)	(107 613)	-	-	-	**(442 539)**	310 749
	1 432 808	**-**	**-**	**(411 219)**	**-**	**-**	**1 021 589**	**(980 617)**	**(124 574)**	**-**	**411 219**	**-**	**(693 972)**	**327 617**
Other assets														
Computer Hardware	23 100 003	1 326 676	-	(1 502 520)	-	-	**22 924 159**	(21 684 448)	(684 078)	-	1 449 977	-	**(20 918 549)**	2 005 610
Carbinets and Cupboards	308 010	-	-	-	-	-	**308 010**	(241 380)	(18 029)	-	-	-	**(259 409)**	48 601
Chairs	403 504	461 636	-	-	-	-	**865 140**	(65 675)	(43 932)	-	-	-	**(109 607)**	755 533
Desk and tables	699 724	70 078	-	-	-	-	**769 802**	(513 459)	(50 559)	-	-	-	**(564 018)**	205 784
Furniture & Fittings	1 092 948	-	-	-	-	-	**1 092 948**	(418 757)	(120 300)	-	-	-	**(539 057)**	553 891
Bakkies (LDV's)	14 579 998	479 407	-	-	-	-	**15 059 405**	(5 795 622)	(1 657 174)	-	-	-	**(7 452 796)**	7 606 609
Motor cars	21 376 743	10 678 049	-	(119 839)	-	-	**31 934 953**	(10 591 045)	(2 983 718)	-	59 380	-	**(13 515 383)**	18 419 570
Tractors	3 085 404	-	-	(341 344)	-	-	**2 744 060**	(1 132 071)	(259 148)	-	164 458	-	**(1 226 761)**	1 517 299
Trailors and accessories	738 341	130 380	-	-	-	-	**868 721**	(226 785)	(89 839)	-	-	-	**(316 624)**	552 097
Trucks	58 893 887	529 615	-	(1 934 269)	-	-	**57 489 233**	(44 581 920)	(3 042 778)	-	1 925 213	-	**(45 699 485)**	11 789 748
Air conditioners	2 527 397	39 290	-	-	-	-	**2 566 687**	(1 132 467)	(118 338)	-	-	-	**(1 250 805)**	1 315 882
Audio Visual Equipment	280 863	148 136	-	-	-	-	**428 999**	(127 615)	(38 319)	-	-	-	**(165 934)**	263 065
Kitchen Appliances	45 007	-	-	-	-	-	**45 007**	(13 859)	(7 537)	-	-	-	**(21 396)**	23 611
Office Equipment/Machines	3 833 350	139 518	-	-	-	-	**3 972 868**	(232 394)	(21 554)	-	-	-	**(253 948)**	3 718 920
Photographic equipment	102 391	88 622	-	-	-	-	**191 013**	(83 700)	(11 862)	-	-	-	**(95 562)**	95 451
Other office equipment	35 287	-	-	-	-	-	**35 287**	(33 834)	(726)	-	-	-	**(34 560)**	727
Compaction Equipment	73 990	-	-	-	-	-	**73 990**	(46 744)	(3 505)	-	-	-	**(50 249)**	23 741
Compressors, Generators and Allied Equipment	2 751 606	60 140	-	-	-	-	**2 811 746**	(668 602)	(334 493)	-	-	-	**(1 003 095)**	1 808 651
Gardening Equipment	468 858	655 122	-	-	-	-	**1 123 980**	(365 005)	(99 827)	-	-	-	**(464 832)**	659 148
Laboratory Equipment	1 312 901	-	-	-	-	-	**1 312 901**	(975 336)	(99 459)	-	-	-	**(1 074 795)**	238 106
Pumps/Plumbing/Purification/Sanitation Equipment	662 838	5 155 103	-	-	-	-	**5 817 941**	(442 237)	(59 685)	-	-	-	**(501 922)**	5 316 019
Radio Equipment	8 077	-	-	-	-	-	**8 077**	(8 077)	-	-	-	-	**(8 077)**	-
Security Equipment/System/Materials	1 389 900	115 437	-	(6 150)	-	-	**1 499 187**	(1 356)	(17 865)	-	6 036	-	**(13 185)**	1 486 002
Telecommunication Equipment	1 736 165	-	-	-	-	-	**1 736 165**	(1 696 449)	(20 614)	-	-	-	**(1 717 063)**	19 102
Other Plant and Equipment	15 839 307	19 654 976	-	-	-	-	**35 494 283**	(14 913 934)	(139 510)	-	-	-	**(15 053 444)**	20 440 839
Ugu South Coast Tourism: Other assets	1 590 120	228 296	-	(43 062)	-	-	**1 775 354**	(421 398)	(192 107)	-	-	-	**(613 505)**	1 161 849
Ugu South Coast Development Agency: Other assets	524 108	75 400	-	-	-	-	**599 508**	(249 953)	(53 125)	-	-	-	**(303 078)**	296 430
	157 460 727	**40 035 881**	**-**	**(3 947 184)**	**-**	**-**	**193 549 424**	**(106 664 122)**	**(10 168 081)**	**-**	**3 605 064**	**-**	**(113 227 139)**	**80 322 285**

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Analysis of property, plant and equipment as at 30 June 2017

	Cost							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Under Construction Rand	Disposals Rand	Transfers Rand	Fair Value Adjustment Rand	Closing Balance Rand	Opening Balance Rand	Depreciation Rand	Transfers Rand	Disposals Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	198 431 452	1 991 877	5 016 876	-	-	**-**	**205 440 205**	(35 830 266)	(2 479 287)	-	-	-	**(38 309 553)**	167 130 652
Infrastructure	8 366 223 550	24 473 849	238 829 608	-	(211 352 604)	**-**	**8 418 174 403**	(4 727 416 702)	(188 765 063)	173 741 088	-	-	**(4 742 440 677)**	3 675 733 726
Specialised vehicles	1 432 808	-	-	(411 219)	-	**-**	**1 021 589**	(980 617)	(124 574)	-	411 219	-	**(693 972)**	327 617
Other assets	157 460 727	40 035 881	-	(3 947 184)	-	**-**	**193 549 424**	(106 664 122)	(10 168 081)	-	3 605 064	-	**(113 227 139)**	80 322 285
	8 723 548 537	**66 501 607**	**243 846 484**	**(4 358 403)**	**(211 352 604)**	**-**	**8 818 185 621**	**(4 870 891 707)**	**(201 537 005)**	**173 741 088**	**4 016 283**	**-**	**(4 894 671 341)**	**3 923 514 280**
Intangible assets														
Computers - software & programming	36 853 920	8 318 469	-	(8 191)	-	**-**	**45 164 198**	(28 008 957)	(4 193 027)	-	-	-	**(32 201 984)**	12 962 214
Rights and Servitudes	2 659 158	-	-	-	-	**-**	**2 659 158**	-	-	-	-	-	**-**	2 659 158
	39 513 078	**8 318 469**	**-**	**(8 191)**	**-**	**-**	**47 823 356**	**(28 008 957)**	**(4 193 027)**	**-**	**-**	**-**	**(32 201 984)**	**15 621 372**
Investment properties														
Investment property	29 500 000	10 050 282	-	-	-	**-**	**39 550 282**	-	-	-	-	-	**-**	39 550 282
	29 500 000	**10 050 282**	**-**	**-**	**-**	**-**	**39 550 282**	**-**	**-**	**-**	**-**	**-**	**-**	**39 550 282**
Total														
Land and buildings	198 431 452	1 991 877	5 016 876	-	-	**-**	**205 440 205**	(35 830 266)	(2 479 287)	-	-	-	**(38 309 553)**	167 130 652
Infrastructure	8 366 223 550	24 473 849	238 829 608	-	(211 352 604)	**-**	**8 418 174 403**	(4 727 416 702)	(188 765 063)	173 741 088	-	-	**(4 742 440 677)**	3 675 733 726
Specialised vehicles	1 432 808	-	-	(411 219)	-	**-**	**1 021 589**	(980 617)	(124 574)	-	411 219	-	**(693 972)**	327 617
Other assets	157 460 727	40 035 881	-	(3 947 184)	-	**-**	**193 549 424**	(106 664 122)	(10 168 081)	-	3 605 064	-	**(113 227 139)**	80 322 285
Intangible assets	39 513 078	8 318 469	-	(8 191)	-	**-**	**47 823 356**	(28 008 957)	(4 193 027)	-	-	-	**(32 201 984)**	15 621 372
Investment properties	29 500 000	10 050 282	-	-	-	**-**	**39 550 282**	-	-	-	-	-	**-**	39 550 282
	8 792 561 615	**84 870 358**	**243 846 484**	**(4 366 594)**	**(211 352 604)**	**-**	**8 905 559 259**	**(4 898 900 664)**	**(205 730 032)**	**173 741 088**	**4 016 283**	**-**	**(4 926 873 325)**	**3 978 685 934**

Ugu District Municipality
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Appendix B
June 2017

Analysis of property, plant and equipment as at 30 June 2016

	Cost							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Under Construction Rand	Disposals Rand	Transfers Rand	Fair Value Adjustments Rand	Closing Balance Rand	Opening Balance Rand	Depreciation Rand	Transfers Rand	Disposals Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land: Developed	57 761 131	-	-	-	-	-	**57 761 131**	-	-	-	-	-	**-**	57 761 131
Office Buildings	18 441 015	-	5 188 560	-	8 056 972	-	**31 686 547**	(4 714 912)	(537 714)	-	-	-	**(5 252 626)**	26 433 921
Other Buildings	-	76 400	13 352 275	-	-	-	**13 428 675**	-	(8)	-	-	-	**(8)**	13 428 667
Buildings Sewerage	63 202 970	-	-	-	-	-	**63 202 970**	(18 960 891)	(1 264 059)	-	-	-	**(20 224 950)**	42 978 020
Buildings Water Supply	32 352 129	-	-	-	-	-	**32 352 129**	(9 705 639)	(647 043)	-	-	-	**(10 352 682)**	21 999 447
	171 757 245	**76 400**	**18 540 835**	**-**	**8 056 972**	**-**	**198 431 452**	**(33 381 442)**	**(2 448 824)**	**-**	**-**	**-**	**(35 830 266)**	**162 601 186**
Infrastructure														
Sewer Reticulation	384 839 484	-	121 100 202	-	-	-	**505 939 686**	(284 781 218)	(7 696 790)	-	-	-	**(292 478 008)**	213 461 678
Sewer Pumping Stations	-	-	34 091 420	-	-	-	**34 091 420**	-	-	-	-	-	**-**	34 091 420
Sewer Treatment Works	1 890 871 860	4 631 109	67 828 111	-	26 524 746	-	**1 989 855 826**	(883 458 069)	(62 279 332)	-	-	-	**(945 737 401)**	1 044 118 425
Sewer Telementry	12 507 470	-	-	-	-	-	**12 507 470**	(7 882 404)	(830 347)	-	-	-	**(8 712 751)**	3 794 719
Sewer Electrical Equipment	-	-	132 036	-	-	-	**132 036**	-	-	-	-	-	**-**	132 036
Dams and Wiers	-	-	21 912 059	-	-	-	**21 912 059**	-	-	-	-	-	**-**	21 912 059
Reserviors and Tanks	139 009 944	41 095	30 548 295	-	10 232 208	-	**179 831 542**	(62 911 911)	(4 693 135)	-	-	-	**(67 605 046)**	112 226 496
Underground Chambers	2 263 406	-	-	-	-	-	**2 263 406**	(72 230)	(113 170)	-	-	-	**(185 400)**	2 078 006
Pipework	4 206 937 024	215 203	294 133 868	-	9 187 854	-	**4 510 473 949**	(3 050 470 944)	(86 997 409)	-	-	-	**(3 137 468 353)**	1 373 005 596
Water Pump Stations	102 226 680	2 868 730	32 459 672	-	-	-	**137 555 082**	(45 495 459)	(8 818 611)	-	-	-	**(54 314 070)**	83 241 012
Water Treatment Works	137 049 363	638 745	37 971 817	-	-	-	**175 659 925**	-	-	-	-	-	**-**	175 659 925
Water Reticulation	-	-	353 975 071	-	-	-	**353 975 071**	-	-	-	-	-	**-**	353 975 071
Bulk Meters	-	-	879 518	-	-	-	**879 518**	-	-	-	-	-	**-**	879 518
Standpipes	38 015 656	-	-	-	-	-	**38 015 656**	(23 589 853)	(1 768 846)	-	-	-	**(25 358 699)**	12 656 957
Supply and Reticulation	-	-	347 822 010	-	23 368 378	-	**371 190 388**	-	-	-	-	-	**-**	371 190 388
Telementry Sytems	6 775 500	-	-	-	-	-	**6 775 500**	(3 298 063)	(444 094)	-	-	-	**(3 742 157)**	3 033 343
Valves	11 617 573	-	45 125	-	-	-	**11 662 698**	(253 369)	(577 041)	-	-	-	**(830 410)**	10 832 288
Water Electrical Equipment	-	-	7 756 761	-	-	-	**7 756 761**	-	-	-	-	-	**-**	7 756 761
Water Meter Protection	767 905	4 158 147	42 380	-	367 530	-	**5 335 962**	(124 475)	(280 356)	-	-	-	**(404 831)**	4 931 131
	6 932 881 865	**12 553 029**	**1 350 698 345**	**-**	**69 680 716**	**-**	**8 365 813 955**	**(4 362 337 995)**	**(174 499 131)**	**-**	**-**	**-**	**(4 536 837 126)**	**3 828 976 829**
Community Assets														

Ugu District Municipality

Appendix B

June 2017

Analysis of property, plant and equipment as at 30 June 2016

	Cost							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Under Construction Rand	Disposals Rand	Transfers Rand	Fair Value Adjustments Rand	Closing Balance Rand	Opening Balance Rand	Depreciation Rand	Transfers Rand	Disposals Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Specialised vehicles														
Graders	651 270	-	-	-	-	-	**651 270**	(601 885)	(15 556)	-	-	-	**(617 441)**	33 829
Watercraft	28 250	-	-	-	-	-	**28 250**	(28 250)	-	-	-	-	**(28 250)**	-
Caterpillar	753 288	-	-	-	-	-	**753 288**	(227 313)	(107 613)	-	-	-	**(334 926)**	418 362
	1 432 808	**-**	**-**	**-**	**-**	**-**	**1 432 808**	**(857 448)**	**(123 169)**	**-**	**-**	**-**	**(980 617)**	**452 191**
Other assets														
Computer Hardware	22 662 122	633 188	1 407 615	-	-	-	**24 702 925**	(20 972 918)	(711 530)	-	-	-	**(21 684 448)**	3 018 477
Cabinets and Cupboards	294 914	13 096	-	-	-	-	**308 010**	(219 404)	(21 976)	-	-	-	**(241 380)**	66 630
Chairs	214 924	188 580	-	-	-	-	**403 504**	(35 005)	(30 670)	-	-	-	**(65 675)**	337 829
Desk and Tables	616 753	82 971	-	-	-	-	**699 724**	(460 665)	(52 794)	-	-	-	**(513 459)**	186 265
Other Furniture and Fittings	491 152	541 524	-	-	-	-	**1 032 676**	(380 534)	(38 223)	-	-	-	**(418 757)**	613 919
Bakkies (LDV's)	9 671 582	4 908 416	-	-	-	-	**14 579 998**	(4 416 520)	(1 379 104)	-	-	-	**(5 795 624)**	8 784 374
Motor Cars	21 376 743	-	-	-	-	-	**21 376 743**	(7 769 844)	(2 821 201)	-	-	-	**(10 591 045)**	10 785 698
Tractors	3 596 802	-	-	(511 398)	-	-	**3 085 404**	(1 149 399)	(269 794)	-	287 122	-	**(1 132 071)**	1 953 333
Trailors and Accesories	341 666	396 675	-	-	-	-	**738 341**	(194 051)	(32 734)	-	-	-	**(226 785)**	511 556
Trucks	55 583 007	4 709 826	-	(1 398 946)	-	-	**58 893 887**	(43 283 448)	(2 697 418)	-	1 398 946	-	**(44 581 920)**	14 311 967
Air Conditioners	2 527 397	-	-	-	-	-	**2 527 397**	(999 452)	(133 015)	-	-	-	**(1 132 467)**	1 394 930
Audiovisual Equipment	219 962	60 901	-	-	-	-	**280 863**	(101 030)	(26 585)	-	-	-	**(127 615)**	153 248
Kitchen Appliances	39 921	-	-	-	-	-	**39 921**	(7 339)	(6 520)	-	-	-	**(13 859)**	26 062
Photographic Equipment	102 391	-	-	-	-	-	**102 391**	(69 577)	(14 123)	-	-	-	**(83 700)**	18 691
Other Office Equipment	35 287	-	-	-	-	-	**35 287**	(32 381)	(1 453)	-	-	-	**(33 834)**	1 453
Compaction Equipment	73 990	-	-	-	-	-	**73 990**	(43 544)	(3 200)	-	-	-	**(46 744)**	27 246
Compressors, Generators & Allied Equipment	481 606	2 270 000	-	-	-	-	**2 751 606**	(427 167)	(241 435)	-	-	-	**(668 602)**	2 083 004
Gardening Equipment	351 689	117 169	-	-	-	-	**468 858**	(333 717)	(31 288)	-	-	-	**(365 005)**	103 853
Laboratory Equipment	1 038 930	273 971	-	-	-	-	**1 312 901**	(890 799)	(84 537)	-	-	-	**(975 336)**	337 565
Pumps/Plumbing/Purification/Sanitation Equipment	662 838	-	-	-	-	-	**662 838**	(372 861)	(69 376)	-	-	-	**(442 237)**	220 601
Radio Equipment	8 077	-	-	-	-	-	**8 077**	(8 077)	-	-	-	-	**(8 077)**	-
Security Equipment/System/Materials	1 439 100	-	-	(49 200)	-	-	**1 389 900**	(1 367 748)	(34 446)	-	45 971	-	**(1 356 223)**	33 677
Telecommunication Equipment	1 736 165	-	-	-	-	-	**1 736 165**	(1 658 132)	(38 317)	-	-	-	**(1 696 449)**	39 716
Other Plant and Equipment	15 839 307	-	-	-	-	-	**15 839 307**	(14 640 861)	(273 073)	-	-	-	**(14 913 934)**	925 373
Office Equipment/Machines	253 400	-	-	-	-	-	**253 400**	(217 548)	(14 846)	-	-	-	**(232 394)**	21 006
Ugu South Coast Tourism: Other assets	1 011 834	765 578	-	(187 290)	-	-	**1 590 122**	(481 905)	(115 923)	-	176 428	-	**(421 400)**	1 168 722
Ugu South Coast Development Agency: Other assets	400 889	137 522	-	(14 303)	-	-	**524 108**	(222 531)	(32 785)	-	5 364	-	**(249 952)**	274 156
	141 072 448	**15 099 417**	**1 407 615**	**(2 161 137)**	**-**	**-**	**155 418 343**	**(100 756 457)**	**(9 176 366)**	**-**	**1 913 831**	**-**	**(108 018 992)**	**47 399 351**

Ugu District Municipality

Appendix B
June 2017

Analysis of property, plant and equipment as at 30 June 2016

	Cost							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Under Construction Rand	Disposals Rand	Transfers Rand	Fair Value Adjustments Rand	Closing Balance Rand	Opening Balance Rand	Depreciation Rand	Transfers Rand	Disposals Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	171 757 245	76 400	18 540 835	-	8 056 972	**-**	**198 431 452**	(33 381 442)	(2 448 824)	-	-	-	**(35 830 266)**	162 601 186
Infrastructure	6 932 881 865	12 553 029	1 350 698 345	-	69 680 716	**-**	**8 365 813 955**	(4 362 337 995)	(174 499 131)	-	-	-	**(4 536 837 126)**	3 828 976 829
Specialised vehicles	1 432 808	-	-	-	-	**-**	**1 432 808**	(857 448)	(123 169)	-	-	-	**(980 617)**	452 191
Other assets	141 072 448	15 099 417	1 407 615	(2 161 137)	-	**-**	**155 418 343**	(100 756 457)	(9 176 366)	-	1 913 831	-	**(108 018 992)**	47 399 351
	7 247 144 366	**27 728 846**	**1 370 646 795**	**(2 161 137)**	**77 737 688**	**-**	**8 721 096 558**	**(4 497 333 342)**	**(186 247 490)**	**-**	**1 913 831**	**-**	**(4 681 667 001)**	**4 039 429 557**
Agricultural/Biological assets														
Intangible assets														
Computers - software & programming	31 879 330	4 974 590	-	-	-	**-**	**36 853 920**	(255 557 617)	(2 448 402)	-	-	-	**(258 006 019)**	(221 152 099)
Servitudes	2 659 158	-	-	-	-	**-**	**2 659 158**	-	-	-	-	-	**-**	2 659 158
	34 538 488	**4 974 590**	**-**	**-**	**-**	**-**	**39 513 078**	**(255 557 617)**	**(2 448 402)**	**-**	**-**	**-**	**(258 006 019)**	**(218 492 941)**
Investment properties														
Investment property	29 403 251	-	-	-	-	**96 749**	**29 500 000**	-	-	-	-	-	**-**	29 500 000
	29 403 251	**-**	**-**	**-**	**-**	**96 749**	**29 500 000**	**-**	**-**	**-**	**-**	**-**	**-**	**29 500 000**
Total														
Land and buildings	171 757 245	76 400	18 540 835	-	8 056 972	**-**	**198 431 452**	(33 381 442)	(2 448 824)	-	-	-	**(35 830 266)**	162 601 186
Infrastructure	6 932 881 865	12 553 029	1 350 698 345	-	69 680 716	**-**	**8 365 813 955**	(4 362 337 995)	(174 499 131)	-	-	-	**(4 536 837 126)**	3 828 976 829
Specialised vehicles	1 432 808	-	-	-	-	**-**	**1 432 808**	(857 448)	(123 169)	-	-	-	**(980 617)**	452 191
Other assets	141 072 448	15 099 417	1 407 615	(2 161 137)	-	**-**	**155 418 343**	(100 756 457)	(9 176 366)	-	1 913 831	-	**(108 018 992)**	47 399 351
Intangible assets	34 538 488	4 974 590	-	-	-	**-**	**39 513 078**	(255 557 617)	(2 448 402)	-	-	-	**(258 006 019)**	(218 492 941)
Investment properties	29 403 251	-	-	-	-	**96 749**	**29 500 000**	-	-	-	-	-	**-**	29 500 000
	7 311 086 105	**32 703 436**	**1 370 646 795**	**(2 161 137)**	**77 737 688**	**96 749**	**8 790 109 636**	**(4 752 890 959)**	**(188 695 892)**	**-**	**1 913 831**	**-**	**(4 939 673 020)**	**3 850 436 616**

Ugu District Municipality
Appendix C
June 2017

Segmental analysis of property, plant and equipment as at 30 June 2017

	Cost							Accumulated Depreciation						
	Opening Balance Rand	Additions Rand	Under Construction Rand	Disposals Rand	Transfers Rand	Fair Value Adjustments Rand	Closing Balance Rand	Opening Balance Rand	Depreciation Rand	Disposals Rand	Transfers Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
Municipality														
Executive & Council/Mayor and Council	4 089 821	-	-	(15 979)	-	-	**4 073 842**	(182 056)	(281 660)	-	-	-	**(463 716)**	3 610 126
Finance & Admin/Finance	185 836 278	10 291 487	-	(1 333 213)	-	-	**194 794 552**	(4 611 741)	(7 059 098)	1 280 670	-	-	**(10 390 169)**	184 404 383
Planning and Development/Economic Development/Plan	853 840 753	1 171 806	267 231 818	(9 105)	-	-	**1 122 235 272**	(98 254)	(131 358)	9 105	-	-	**(220 507)**	1 122 014 765
Public Safety/Police	11 408 424	-	-	-	-	-	**11 408 424**	(21 788)	(172 430)	-	-	-	**(194 218)**	11 214 206
Environmental Protection/Pollution Control	351 114	-	-	(16 935)	-	-	**334 179**	(72 934)	(1 214)	16 935	-	-	**(57 213)**	276 966
Waste Water Management/Sewerage	2 465 630 507	-	-	(292 109)	-	-	**2 465 338 398**	(778 902 750)	(72 283 866)	231 650	-	-	**(850 954 966)**	1 614 383 432
Water/Water Distribution	5 168 077 039	35 464 471	914 287	(2 601 795)	(217 124 561)	-	**4 984 729 441**	(4 087 682 000)	(125 504 462)	-	177 888 852	-	**(4 035 297 610)**	949 431 831
Other/Air Transport	29 748 392	742 482	-	(46 204)	-	-	**30 444 670**	(30 702)	(5 449)	-	-	-	**(36 151)**	30 408 519
	8 718 982 328	**47 670 246**	**268 146 105**	**(4 315 340)**	**(217 124 561)**	**-**	**8 813 358 778**	**(4 871 602 225)**	**(205 439 537)**	**1 538 360**	**177 888 852**	**-**	**(4 897 614 550)**	**3 915 744 228**
Municipal Owned Entities														
Ugu South Coast Tourism	1 638 118	247 156	-	(51 254)	-	-	**1 834 020**	(447 290)	(200 307)	40 863	-	-	**(606 734)**	1 227 286
Ugu South Coast Development Agency	524 108	75 400	-	-	-	-	**599 508**	(249 953)	(53 125)	-	-	-	**(303 078)**	296 430
	2 162 226	**322 556**	**-**	**(51 254)**	**-**	**-**	**2 433 528**	**(697 243)**	**(253 432)**	**40 863**	**-**	**-**	**(909 812)**	**1 523 716**
Total														
Municipality	8 718 982 328	47 670 246	268 146 105	(4 315 340)	(217 124 561)	-	**8 813 358 778**	(4 871 602 225)	(205 439 537)	1 538 360	177 888 852	-	**(4 897 614 550)**	3 915 744 228
Municipal Owned Entities	2 162 226	322 556	-	(51 254)	-	-	**2 433 528**	(697 243)	(253 432)	40 863	-	-	**(909 812)**	1 523 716
	8 721 144 554	**47 992 802**	**268 146 105**	**(4 366 594)**	**(217 124 561)**	**-**	**8 815 792 306**	**(4 872 299 468)**	**(205 692 969)**	**1 579 223**	**177 888 852**	**-**	**(4 898 524 362)**	**3 917 267 944**

Ugu District Municipality
Appendix D
June 2017

Segmental Statement of Financial Performance for the year ended

Prior Year				Current Year		
Actual Income Rand	**Actual Expenditure Rand**	**Surplus /(Deficit) Rand**		**Actual Income Rand**	**Actual Expenditure Rand**	**Surplus /(Deficit) Rand**
			Municipality			
2 082 978	55 597 554	(53 514 576)	Executive & Council/Mayor and Council	2 190 400	52 369 273	(50 178 873)
391 539 171	137 771 126	253 768 045	Finance & Admin/Finance	184 635 918	166 922 802	17 713 116
250 136 827	35 946 003	214 190 824	Planning and Development/Economic Development/Plan	252 807 674	45 708 496	207 099 178
108 595	2 515 242	(2 406 647)	Public Safety/Police	11 914 517	6 735 006	5 179 511
222 050	465 898	(243 848)	Sport and Recreation	231 477	-	231 477
1 373 250	16 206 911	(14 833 661)	Environmental Protection/Pollution Control	1 739 913	17 564 560	(15 824 647)
107 402 851	85 879 424	21 523 427	Waste Water Management/Sewerage	112 502 059	109 290 659	3 211 400
344 547 537	738 956 481	(394 408 944)	Water/Water Distribution	474 494 932	640 923 079	(166 428 147)
861 705	944 945	(83 240)	Other/Air Transport	180 777	1 141 820	(961 043)
098 274 964	**074 283 584**	**23 991 380**		**040 697 667**	**040 655 695**	**41 972**
			Municipal Owned Entities			
16 025 818	14 397 962	1 627 856	Null	18 016 501	21 548 690	(3 532 189)
7 108 412	5 265 249	1 843 163	Null	10 188 978	9 519 202	669 776
23 134 230	**19 663 211**	**3 471 019**		**28 205 479**	**31 067 892**	**(2 862 413)**
			Other charges			
098 274 964	074 283 584	23 991 380	Municipality	040 697 667	040 655 695	41 972
23 134 230	19 663 211	3 471 019	Municipal Owned Entities	28 205 479	31 067 892	2 862 413
121 409 194	**093 946 795**	**27 462 399**	**Total**	**068 903 146**	**071 723 587**	**2 904 385**

Ugu District Municipality
Appendix E(1)
June 2017

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2017

	Current year 2016 Act. Bal. Rand	Current year 2016 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Service charges	314 581 575	473 667 454	(159 085 879)	(33,6)	The municipality has been billing its customers using estimates in the past and currently actual meter readings are obtained which reflect the actual consumption that has decreased. Water sales has decreased drastically during the current financial period as results of server drought in a country.
Tranfers recognised - Operating	397 281 419	422 332 688	(25 051 269)	(5,9)	The water serives infrastructure grant of R14,5 million was forfieted as result of slow spending of grant. There was further grant of R8,3 milliom that was withheld as results of prior year projects not completed.
Tranfers recognised - Capital	310 298 952	299 107 577	11 191 375	3,7	
Rental of facilities and equipment	2 545 445	1 149 170	1 396 275	121,5	The rentals of spaces in the reseviors to the network companies has increased.
Other income	12 751 040	15 316 055	(2 565 015)	(16,7)	
Interest received - investment	28 294 849	20 234 447	8 060 402	39,8	The increase in interest for period results from improved cash management compounded by short term investments for better interest returns.
	065 753 280	231 807 391	(166 054 111)	(13,5)	
Expenses					
Personnel	(340 948 143)	(339 132 636)	(1 815 507)	0,5	
Remuneration of councillors	(9 422 804)	(11 054 441)	1 631 637	(14,8)	The council was appointed on 01 September 2016, and the executive council did not get approval for the upper-limit remuneration as it was budgeted.
Depreciation	(197 532 178)	(124 444 436)	(73 087 742)	58,7	Depreciation was under budgeted as results of the newly found underground assets that we have started to depreciate. However there is a plan in place to improve the budget for depreciation and amortisation in the following financial periods.
Amortisation	(4 200 815)	(4 200 900)	85	-	
Impairments	(38 220 070)	(29 341 325)	(8 878 745)	30,3	The amount of provision for the current period was estimated to decrease as there was a proposal to write-off irrecoverable debtors during the current period which was not approved.
Finance costs	(10 164 796)	(11 974 247)	1 809 451	(15,1)	The repayments of long-term liabilities results to deacrease in the interest incurred for the financial period.
Debt Impairment	(17 731)	(17 740)	9	(0,1)	
Repairs and maintenance - General	(67 134 345)	(70 313 100)	3 178 755	(4,5)	
Lease rentals on operating lease	(3 868 418)	(2 602 701)	(1 265 717)	48,6	
Bulk purchases	(77 790 321)	(70 858 640)	(6 931 681)	9,8	
Contracted Services	(35 647 802)	(39 314 813)	3 667 011	(9,3)	
Transfers and Subsidies	(36 335 454)	(96 023 685)	59 688 231	(62,2)	
General Expenses	(162 399 003)	(171 955 081)	9 556 078	(5,6)	
	(983 681 880)	(971 233 745)	(12 448 135)	1,3	
Other revenue and costs					
Gain or loss on disposal of assets and liabilities	492 315	(10 405)	502 720	831,5)	This income from municipal insurers as results of assets damaged or lost during the period. This makes it dificult as we cannot anticipate the benefit/loss from the insurers payouts as the payout is entirely dependent on the investigations of insurers.
Fair value adjustments	100 000	-	100 000	-	
Loss from transfer of functions between entities not under common control	(37 585 068)	-	(37 585 068)	-	These were carrying amount of assets that were transferred to Ethekwini Municipality and Harry Gwala District Municipality.
	(36 992 753)	(10 405)	(36 982 348)	428,6	

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2017

	Current year 2016 Act. Bal.	Current year 2016 Adjusted budget	Variance		Explanation of Significant Variances greater than 10% versus Budget
Net surplus/ (deficit) for the year	45 078 647	260 563 241	(215 484 594)	(82,7)	

Ugu District Municipality
Appendix E(2)
June 2017

Budget Analysis of Capital Expenditure as at 30 June 2017

	Additions Rand	Revised Budget Rand	Variance Rand	Variance %	Explanation of significant variances from budget
Municipality					
Executive & Council/Mayor and Council	1 065 240	2 453 443	1 388 203	**57**	There has been a slow spending on the replacement of vehicles, as results some of the vehicles were not delivered before the year-end.
Finance & Admin/Finance	33 859 184	39 522 273	5 663 089	**14**	There were delays in the fleet replacement and mSCOA implementation as results not all funds utilised.
Planning and Development/Economic Development/Plan	276 420	295 000	18 580	**6**	
Public Safety/Police	5 107 879	6 000 000	892 121	**15**	The 15% were savings from the extention costs of Ugu Disaster buildings.
Waste Water Management/Sewerage	39 746 371	48 432 256	8 685 885	**18**	Some of the funds that were budgeted for waste water were withheld, hence some of projects could not be completed.
Water/Water Distribution	232 631 395	252 175 321	19 543 926	**8**	
	312 686 489	**348 878 293**	**36 191 804**	**10**	
Municipal Owned Entities					
Ugu South Coast Tourism	247 156	254 736	7 580	**3**	
Ugu South Coast Development Agency	100 000	9 307 800	9 207 800	**99**	The unbudgeted acquisition of The Ifafa land for Development.
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	667 186	**9 562 536**	**8 895 350**	**93**	

Ugu District Municipality
Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
June 2017

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act
		Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Yes/ No
Finance Management Grant	National Treasury	1 460 000	-	-	-	227 552	409 065	320 803	502 580	Yes
Equitable Share	National Treasury	160 303 000	119 845 000	96 183 000	-	95 932 250	95 932 250	95 932 250	88 534 250	Yes
Various Provincial	DLGTA	-	400 000	5 000 000	400 000	-	66 667	5 179 952	5 233 333	Yes
Various National (incl.MIG)	DPLG	111 964 000	116 606 000	63 873 000	-	51 020 290	86 668 687	49 366 477	105 387 546	Yes
Various National (PW)	EPWP	447 000	805 000	536 000	-	447 000	520 142	476 065	344 793	Yes
Rural Transport Services	Dep. Transport	1 250 000	1 260 000	-	-	229 867	542 928	669 367	1 067 838	Yes
DWAF	DWAF	6 388 000	3 833 000	2 555 000	-	-	1 839 003	4 688 143	9 898 854	Yes
		281 812 000	242 749 000	168 147 000	400 000	147 856 959	185 978 742	156 633 057	210 969 194	

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

Ugu District Municipality
Appendix G1
Budgeted Financial Performance (revenue and expenditure by standard classification)
for the year ended 30 June 2017

	2017/2016														2016/2015
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue - Standard															
Governance and administration	**182 023 723**	**600 000**	**182 623 723**	**-**		**182 623 723**	**187 823 888**		**5 200 165**	**103 %**	**103 %**				**394 516 101**
Executive and council	2 188 000	-	2 188 000	-		2 188 000	2 190 400		2 400	100 %	100 %				2 082 978
Budget and treasury office	178 787 223	600 000	179 387 223	-		179 387 223	185 128 255		5 741 032	103 %	104 %				391 489 586
Corporate services	1 048 500	-	1 048 500	-		1 048 500	505 233		(543 267)	48 %	48 %				943 537
Community and public safety	**7 354 348**	**5 000 000**	**12 354 348**	**-**		**12 354 348**	**12 145 894**		**(208 454)**	**98 %**	**165 %**				**328 540**
Sport and recreation	254 400	-	254 400	-		254 400	231 477		(22 923)	91 %	91 %				219 945
Public safety	7 099 948	5 000 000	12 099 948	-		12 099 948	11 914 417		(185 531)	98 %	168 %				108 595
Economic and environmental services	**60 970 128**	**13 963 625**	**74 933 753**	**-**		**74 933 753**	**62 895 041**		**(12 038 712)**	**84 %**	**103 %**				**257 634 877**
Planning and development	43 180 141	13 963 625	57 143 766	-		57 143 766	45 503 128		(11 640 638)	80 %	105 %				256 686 808
Environmental protection	17 789 987	-	17 789 987	-		17 789 987	17 391 913		(398 074)	98 %	98 %				948 069
Trading services	**974 770 038**	**52 473 415**	**1 027 243 453**	**-**		**1 027 243 453**	**802 252 832**		**(224 990 621)**	**78 %**	**82 %**				**451 250 552**
Water	855 298 500	52 473 415	907 771 915	-		907 771 915	689 750 773		(218 021 142)	76 %	81 %				343 847 701
Waste water management	119 471 538	-	119 471 538	-		119 471 538	112 502 059		(6 969 479)	94 %	94 %				107 402 851
Other	**250 000**	**(100 000)**	**150 000**	**-**		**150 000**	**180 778**		**30 778**	**121 %**	**72 %**				**-**
Other	250 000	(100 000)	150 000	-		150 000	180 778		30 778	121 %	72 %				861 706
Total Revenue - Standard	**1 225 368 237**	**71 937 040**	**1 297 305 277**	**-**		**1 297 305 277**	**1 065 298 433**		**(232 006 844)**	**82 %**	**87 %**				**1 104 591 776**

Ugu District Municipality
Appendix G1
Budgeted Financial Performance (revenue and expenditure by standard classification)
for the year ended 30 June 2017

	2017/2016														2016/2015
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure - Standard															
Governance and administration	**218 900 235**	**15 396 740**	**234 296 975**	**-**	**-**	**234 296 975**	**217 133 521**	**-**	**(17 163 454)**	**93 %**	**99 %**	**1 272 103**	**-**	**(1 272 103)**	**193 779 470**
Executive and council	64 169 694	(661 869)	63 507 825	-	-	63 507 825	51 669 813	-	(11 838 012)	81 %	81 %	-	-	-	55 583 383
Budget and treasury office	44 041 727	5 105 686	49 147 413	-	-	49 147 413	48 328 410	-	(819 003)	98 %	110 %	172 017	-	(172 017)	34 984 154
Corporate services	110 688 814	10 952 923	121 641 737	-	-	121 641 737	117 135 298	-	(4 506 439)	96 %	106 %	1 100 086	-	(1 100 086)	103 211 933
Community and public safety	**6 099 948**	**961 020**	**7 060 968**	**-**	**-**	**7 060 968**	**18 034 931**	**-**	**10 973 963**	**255 %**	**296 %**	**-**	**-**	**-**	**2 515 433**
Public safety	6 099 948	961 020	7 060 968	-	-	7 060 968	18 034 931	-	10 973 963	255 %	296 %	-	-	-	2 515 433
Economic and environmental services	**81 467 544**	**13 310 448**	**94 777 992**	**-**	**-**	**94 777 992**	**74 896 532**	**-**	**(19 881 460)**	**79 %**	**92 %**	**-**	**-**	**-**	**192 104 506**
Planning and development	63 009 220	13 001 254	76 010 474	-	-	76 010 474	57 330 614	-	(18 679 860)	75 %	91 %	-	-	-	175 897 810
Environmental protection	18 458 324	309 194	18 767 518	-	-	18 767 518	17 565 918	-	(1 201 600)	94 %	95 %	-	-	-	16 206 696
Trading services	**604 635 166**	**53 663 569**	**658 298 735**	**-**	**-**	**658 298 735**	**740 749 111**	**82 450 376**	**82 450 376**	**113 %**	**123 %**	**112 677 428**	**-**	**(112 677 428)**	**687 107 923**
Water	516 772 323	52 469 101	569 241 424	-	-	569 241 424	631 505 565	62 264 141	62 264 141	111 %	122 %	75 598 213	-	(75 598 213)	595 005 190
Waste water management	87 862 843	1 194 468	89 057 311	-	-	89 057 311	109 243 546	20 186 235	20 186 235	123 %	124 %	37 079 215	-	(37 079 215)	92 102 733
Other	**1 160 373**	**(94 817)**	**1 065 556**	**-**	**-**	**1 065 556**	**1 141 820**	**76 264**	**76 264**	**107 %**	**98 %**	**-**	**-**	**-**	**-**
Other	1 160 373	(94 817)	1 065 556	-	-	1 065 556	1 141 820	76 264	76 264	107 %	98 %	-	-	-	1 044 941
Total Expenditure - Standard	**912 263 266**	**83 236 960**	**995 500 226**	**-**	**-**	**995 500 226**	**1 051 955 915**	**82 526 640**	**56 455 689**	**106 %**	**115 %**	**113 949 531**	**-**	**(113 949 531)**	**1 076 552 273**
Surplus/(Deficit) for the year	**313 104 971**	**(11 299 920)**	**301 805 051**	**-**		**301 805 051**	**13 342 518**		**(288 462 533)**	**4 %**	**4 %**				**28 039 503**

Ugu District Municipality
Appendix G2
Budgeted Financial Performance (revenue and expenditure by municipal vote)
for the year ended 30 June 2017

	2017/2016														2016/2015
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue by Vote															
Vote1 - Executive and Council	2 188 000	-	2 188 000	-		2 188 000	2 190 400		2 400	100 %	100 %				2 082 978
Vote2 - Finance and Administration	179 835 723	600 000	180 435 723	-		180 435 723	185 633 488		5 197 765	103 %	103 %				392 433 123
Vote3 - Infrastructure and Economic Development	43 180 141	13 963 625	57 143 766	-		57 143 766	45 503 178		(11 640 588)	80 %	105 %				256 686 808
Vote4 - Water	855 298 500	52 473 415	907 771 915	-		907 771 915	689 750 773		(218 021 142)	76 %	81 %				343 847 701
Vote5 - Waste Water Management	119 471 538	-	119 471 538	-		119 471 538	112 502 059		(6 969 479)	94 %	94 %				107 402 851
Vote6 - Public Safety	7 099 948	5 000 000	12 099 948	-		12 099 948	11 914 417		(185 531)	98 %	168 %				108 595
Vote7 - Environmental Protection	17 789 987	-	17 789 987	-		17 789 987	17 391 913		(398 074)	98 %	98 %				948 069
Vote8 - Other: Market	250 000	(100 000)	150 000	-		150 000	180 778		30 778	121 %	72 %				861 706
Vote9 - Sport and Recreation	254 400	-	254 400	-		254 400	231 477		(22 923)	91 %	91 %				219 945
Total Revenue by Vote	**1 225 368 237**	**71 937 040**	**1 297 305 277**	**-**		**1 297 305 277**	**1 065 298 483**		**(232 006 794)**	**82 %**	**87 %**				**1 104 591 776**
Expenditure by Vote to be appropriated															
Vote1 - Executive and Council	64 169 694	(661 869)	63 507 825	-	-	63 507 825	51 669 813	-	(11 838 012)	81 %	81 %	-	-	-	55 583 383
Vote2 - Finance and Administration	154 730 541	16 058 609	170 789 150	-	-	170 789 150	165 463 708	-	(5 325 442)	97 %	107 %	1 272 103	-	(1 272 103)	138 196 087
Vote3 - Infrastructure and Economic Development	63 009 220	13 001 254	76 010 474	-	-	76 010 474	68 630 884	-	(7 379 590)	90 %	109 %	-	-	-	175 897 810
Vote4 - Water	516 772 323	52 469 101	569 241 424	-	-	569 241 424	631 505 565	62 264 141	62 264 141	111 %	122 %	75 598 213	-	(75 598 213)	595 005 190
Vote5 - Waste Water Management	87 862 843	1 194 468	89 057 311	-	-	89 057 311	109 243 546	20 186 235	20 186 235	123 %	124 %	37 079 215	-	(37 079 215)	92 102 733
Vote6 - Public Safety	6 099 948	961 020	7 060 968	-	-	7 060 968	6 734 711	-	(326 257)	95 %	110 %	-	-	-	2 515 433
Vote7 - Environmental Protection	18 458 324	309 194	18 767 518	-	-	18 767 518	17 565 918	-	(1 201 600)	94 %	95 %	-	-	-	16 206 696
Vote8 - Other: Market	1 160 373	(94 817)	1 065 556	-	-	1 065 556	1 141 820	76 264	76 264	107 %	98 %	-	-	-	1 044 941
Total Expenditure by Vote	**912 263 266**	**83 236 960**	**995 500 226**	**-**	**-**	**995 500 226**	**1 051 955 965**	**82 526 640**	**56 455 739**	**106 %**	**115 %**	**113 949 531**	**-**	**(113 949 531)**	**1 076 552 273**
Surplus/(Deficit) for the year	**313 104 971**	**(11 299 920)**	**301 805 051**	**-**		**301 805 051**	**13 342 518**		**(288 462 533)**	**4 %**	**4 %**				**28 039 503**

Ugu District Municipality
Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2017

	2017/2016														2016/2015
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue By Source															
Service charges - water revenue	361 386 638	-	361 386 638	-		361 386 638	208 618 541		(152 768 097)	58 %	58 %				212 539 494
Service charges - sanitation revenue	112 280 816	-	112 280 816	-		112 280 816	105 963 034		(6 317 782)	94 %	94 %				107 388 391
Rental of facilities and equipment	1 249 170	(100 000)	1 149 170	-		1 149 170	2 545 445		1 396 275	222 %	204 %				1 089 006
Interest earned - external investments	15 568 476	864 378	16 432 854	-		16 432 854	24 273 662		7 840 808	148 %	156 %				26 608 786
Interest earned - outstanding debtors	3 801 593	-	3 801 593	-		3 801 593	4 021 187		219 594	106 %	106 %				4 019 407
Transfers recognised - operational	408 661 587	13 316 365	421 977 952	-		421 977 952	397 281 419		(24 696 533)	94 %	97 %				382 647 609
Other revenue	11 557 957	3 758 098	15 316 055	-		15 316 055	12 751 408		(2 564 647)	83 %	110 %				17 414 331
Gains on disposal of PPE	-	-	-	-		-	690 789		690 789	DIV/0 %	DIV/0 %				728 283
Total Revenue (excluding capital transfers and contributions)	**914 506 237**	**17 838 841**	**932 345 078**	**-**		**932 345 078**	**756 145 485**		**(176 199 593)**	**81 %**	**83 %**				**752 435 307**

Ugu District Municipality
Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2017

	2017/2016											2016/2015			
	Original Budget	**Budget Adjustments (i.t.o. s28 and s31 of the MFMA)**	**Final adjustments budget**	**Shifting of funds (i.t.o. s31 of the MFMA)**	**Virement (i.t.o. Council approved policy)**	**Final Budget**	**Actual Outcome**	**Unauthorised expenditure**	**Variance of Actual Outcome against Adjustments Budget**	**Actual Outcome as % of Final Budget**	**Actual Outcome as % of Original Budget**	**Reported unauthorised expenditure**	**Expenditure authorised in terms of section 32 of MFMA**	**Balance to be recovered**	**Restated Audited Outcome**
	Rand	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**
Expenditure By Type															
Employee related costs	332 850 265	6 282 371	339 132 636	-	-	339 132 636	339 202 525	69 889	69 889	100 %	102 %	-	-	-	302 627 815
Remuneration of councillors	11 874 441	(820 000)	11 054 441	-	-	11 054 441	9 422 804	-	(1 631 637)	85 %	79 %	-	-	-	9 549 402
Debt impairment	17 740	-	17 740		-	17 740	17 731	-	(9)	100 %	100 %	172 017	-	(172 017)	196 710
Depreciation & asset impairment	161 763 125	(3 776 464)	157 986 661		-	157 986 661	273 078 322	115 091 661	115 091 661	173 %	169 %	112 677 428	-	(112 677 428)	439 774 063
Finance charges	15 775 660	(3 801 413)	11 974 247	-	-	11 974 247	10 164 796	-	(1 809 451)	85 %	64 %	-	-	-	13 556 116
Bulk purchases	81 468 000	(10 609 360)	70 858 640	-	-	70 858 640	77 790 321	6 931 681	6 931 681	110 %	95 %	-	-	-	66 091 136
Lease rentals operating lease	2 242 701	360 000	2 602 701	-	-	2 602 701	3 868 418	1 665 717	1 265 717	149 %	172 %	1 100 086	-	(1 100 086)	2 815 995
Contracted services	29 683 354	9 631 459	39 314 813	-	-	39 314 813	35 647 802	-	(3 667 011)	91 %	120 %	-	-	-	22 848 792
Transfers and grants	57 715 762	38 307 923	96 023 685	-	-	96 023 685	36 335 454	-	(59 688 231)	38 %	63 %	-	-	-	20 327 058
Other expenditure	159 046 041	12 909 040	171 955 081	-	-	171 955 081	162 399 003	-	(9 556 078)	94 %	102 %	-	-	-	135 583 967
Repairs and maintenance	70 783 285	(470 185)	70 313 100	-	-	70 313 100	67 134 510	-	(3 178 590)	95 %	95 %	-	-	-	63 151 219
Loss on sale of assets	10 405	-	10 405	-	-	10 405	-	-	(10 405)	- %	- %	-	-	-	-
Loss from transfer of functions between entities not under common control	-	-	-	-	-	-	37 585 068	37 585 068	37 585 068	DIV/0 %	DIV/0 %	-	-	-	-
Total Expenditure	**923 230 779**	**48 013 371**	**971 244 150**	**-**	**-**	**971 244 150**	**1 052 646 754**	**161 344 016**	**81 402 604**	**108 %**	**114 %**	**113 949 531**	**-**	**(113 949 531)**	**1 076 522 273**
Surplus/(Deficit)	**(8 724 542)**	**(30 174 530)**	**(38 899 072)**	**-**		**(38 899 072)**	**(296 501 269)**	**(161 344 016)**	**(257 602 197)**	**762 %**	**3 398 %**	**(113 949 531)**		**113 949 531**	**(324 086 966)**
Transfers recognised - capital	310 862 000	(11 399 687)	299 462 313	-		299 462 313	310 298 952		10 836 639	104 %	100 %				355 695 806
Surplus/(Deficit) after capital transfers & contributions	**302 137 458**	**(41 574 217)**	**260 563 241**	**-**		**260 563 241**	**13 797 683**		**(246 765 558)**	**5 %**	**5 %**				**31 608 840**
Surplus/(Deficit) after taxation	**302 137 458**	**(41 574 217)**	**260 563 241**	**-**		**260 563 241**	**13 797 683**		**(246 765 558)**	**5 %**	**5 %**				**31 608 840**
Surplus/(Deficit) attributable to municipality	**302 137 458**	**(41 574 217)**	**260 563 241**	**-**		**260 563 241**	**13 797 683**		**(246 765 558)**	**5 %**	**5 %**				**31 608 840**
Surplus/(Deficit) for the year	**302 137 458**	**(41 574 217)**	**260 563 241**	**-**		**260 563 241**	**13 797 683**		**(246 765 558)**	**5 %**	**5 %**				**31 608 840**

Ugu District Municipality
Appendix G4
Budgeted Capital Expenditure by vote, standard classification and funding
for the year ended 30 June 2017

	2017/2016														2016/2015
	Original Budget	**Budget Adjustments (i.t.o. s28 and s31 of the MFMA)**	**Final adjustments budget**	**Shifting of funds (i.t.o. s31 of the MFMA)**	**Virement (i.t.o. Council approved policy)**	**Final Budget**	**Actual Outcome**	**Unauthorised expenditure**	**Variance of Actual Outcome against Adjustments Budget**	**Actual Outcome as % of Final Budget**	**Actual Outcome as % of Original Budget**	**Reported unauthorised expenditure**	**Expenditure authorised in terms of section 32 of MFMA**	**Balance to be recovered**	**Restated Audited Outcome**
	Rand	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**
Capital expenditure - Vote															
Multi-year expenditure															
Single-year expenditure															
Vote1 - Executive and Council	2 640 000	(186 557)	2 453 443	-	-	2 453 443	1 065 240	-	(1 388 203)	43 %	40 %	-	-	-	129 340
Vote2 - Finance and Administration	44 055 000	(4 532 727)	39 522 273	-	-	39 522 273	33 859 184	-	(5 663 089)	86 %	77 %	-	-	-	10 719 669
Vote4 - Water	238 418 788	13 757 533	252 176 321	-	-	252 176 321	232 631 395	-	(19 544 926)	92 %	98 %	-	-	-	348 607 783
Vote5 - Waste Water Management	82 444 212	(34 011 956)	48 432 256	-	-	48 432 256	39 746 371	-	(8 685 885)	82 %	48 %	-	-	-	4 631 109
Vote6 - Public Safety	1 000 000	5 000 000	6 000 000	-	-	6 000 000	5 107 879	-	(892 121)	85 %	511 %	-	-	-	162 789
Vote7 - Environmental Protection	-	295 000	295 000	-	-	295 000	276 420	-	(18 580)	94 %	DIV/0 %	-	-	-	-
Vote7 - Infrastructure and Economic Development	590 000	(235 000)	355 000	-	-	355 000	9 630 356	9 275 356	9 275 356	2 713 %	1 632 %	-	-	-	908 977
Capital single-year expenditure sub-total	**369 148 000**	**(19 913 707)**	**349 234 293**	**-**	**-**	**349 234 293**	**322 316 845**	**9 275 356**	**(26 917 448)**	**92 %**	**87 %**	**-**	**-**	**-**	**-**
Total Capital Expenditure - Vote	**369 148 000**	**(19 913 707)**	**349 234 293**	**-**	**-**	**349 234 293**	**322 316 845**	**9 275 356**	**(26 917 448)**	**92 %**	**87 %**	**-**	**-**	**-**	**-**

Ugu District Municipality
Appendix G4
Budgeted Capital Expenditure by vote, standard classification and funding
for the year ended 30 June 2017

	2017/2016														2016/2015
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital Expenditure - Standard															
Governance and administration	**46 695 000**	**(4 719 304)**	**41 975 696**	**-**	**-**	**41 975 696**	**34 924 424**	**-**	**(7 051 272)**	**83 %**	**75 %**	**-**	**-**	**-**	**10 849 009**
Executive and council	2 640 000	(186 577)	2 453 423	-	-	2 453 423	1 065 240	-	(1 388 183)	43 %	40 %	-	-	-	129 340
Budget and treasury office	15 000 000	(7 914 727)	7 085 273	-	-	7 085 273	7 137 856	-	52 583	101 %	48 %	-	-	-	72 778
Corporate services	29 055 000	3 382 000	32 437 000	-	-	32 437 000	26 721 328	-	(5 715 672)	82 %	92 %	-	-	-	10 646 891
Community and public safety	**1 000 000**	**5 000 000**	**6 000 000**	**-**	**-**	**6 000 000**	**5 107 879**	**-**	**(892 121)**	**85 %**	**511 %**	**-**	**-**	**-**	**162 789**
Public safety	1 000 000	5 000 000	6 000 000	-	-	6 000 000	5 107 879	-	(892 121)	85 %	511 %	-	-	-	162 789
Economic and environmental services	**590 000**	**60 000**	**650 000**	**-**	**-**	**650 000**	**9 906 776**	**-**	**9 256 776**	**1 524 %**	**1 679 %**	**-**	**-**	**-**	**908 977**
Planning and development	590 000	(235 000)	355 000	-	-	355 000	9 630 356	-	9 275 356	2 713 %	1 632 %	-	-	-	908 977
Environmental protection	-	295 000	295 000	-	-	295 000	276 420	-	(18 580)	94 %	DIV/0 %	-	-	-	-
Trading services	**320 862 000**	**(20 254 423)**	**300 607 577**	**-**	**-**	**300 607 577**	**272 377 766**	**-**	**(28 229 811)**	**91 %**	**85 %**	**-**	**-**	**-**	**353 238 892**
Water	238 417 788	13 757 533	252 175 321	-	-	252 175 321	232 631 395	-	(19 543 926)	92 %	98 %	-	-	-	348 607 783
Waste water management	82 444 212	(34 011 956)	48 432 256	-	-	48 432 256	39 746 371	-	(8 685 885)	82 %	48 %	-	-	-	4 631 109
Total Capital Expenditure - Standard	**369 147 000**	**(19 913 727)**	**349 233 273**	**-**	**-**	**349 233 273**	**322 316 845**	**-**	**(26 916 428)**	**92 %**	**87 %**	**-**	**-**	**-**	**365 159 667**
Funded by:															
National Government	310 862 000	(11 754 422)	299 107 578	-		299 107 578	310 298 952		11 191 374	104 %	100 %				307 057 543
Transfers recognised - capital	**310 862 000**	**(11 754 422)**	**299 107 578**	**-**		**299 107 578**	**310 298 952**		**11 191 374**	**104 %**	**100 %**				**307 057 543**
Internally generated funds	58 285 000	(8 159 305)	50 125 695	-		50 125 695	12 017 893		(38 107 802)	24 %	21 %				58 102 124
Total Capital Funding	**369 147 000**	**(19 913 727)**	**349 233 273**	**-**		**349 233 273**	**322 316 845**		**(26 916 428)**	**92 %**	**87 %**				**365 159 667**

Ugu District Municipality
Appendix G5
Budgeted Cash Flows
for the year ended 30 June 2017

	2017/2016								2016
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Final Budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Cash flow from operating activities									
Service charges	424 875 276	3 680 634	428 555 910	428 555 910	300 554 910	(128 001 000)	70 %	71 %	327 963 324
Government - operating	408 661 587	1 916 678	410 578 265	410 578 265	398 681 519	(11 896 746)	97 %	98 %	330 515 398
Government - capital	310 862 000	-	310 862 000	310 862 000	310 298 852	(563 148)	100 %	100 %	416 725 752
Interest	19 355 633	878 814	20 234 447	20 234 447	28 294 849	8 060 402	140 %	146 %	30 628 193
Suppliers and employees	(620 844 072)	(156 722 391)	(777 566 463)	(777 566 463)	(348 625 329)	428 941 134	45 %	56 %	(312 201 457)
Finance charges	(15 774 085)	4 775 160	(10 998 925)	(10 998 925)	(10 164 796)	834 129	92 %	64 %	(13 556 116)
Transfers and Grants	(37 027 536)	19 589 310	(17 438 226)	(17 438 226)	(420 643 654)	(403 205 428)	2 412 %	1 136 %	(365 319 602)
Net cash flow from/used operating activities	**490 108 803**	**(125 881 795)**	**364 227 008**	**364 227 008**	**258 396 351**	**(105 830 657)**	**71 %**	**53 %**	**414 755 492**
Cash flow from investing activities									
Proceeds on disposal of PPE	-	150 000	150 000	150 000	900 008	750 008	600 %	DIV/0 %	963 496
Decrease (increase) other non-current receivables	94 725	-	94 725	94 725	26 842	(67 883)	28 %	28 %	209 540
Capital assets	(369 147 000)	19 913 707	(349 233 293)	(349 233 293)	(328 635 242)	20 598 051	94 %	89 %	(365 259 666)
Net cash flow from/used investing activities	**(369 052 275)**	**20 063 707**	**(348 988 568)**	**(348 988 568)**	**(327 708 392)**	**21 280 176**	**94 %**	**89 %**	**(364 086 630)**
Cash flow from financing activities									
Increase (decrease) in consumer deposits	420 714	(147 627)	273 087	273 087	-	(273 087)	- %	- %	-
Repayment of borrowing	(18 277 294)	1 975 440	(16 301 854)	(16 301 854)	(18 763 719)	(2 461 865)	115 %	103 %	(20 957 417)
Net cash flow from/used financing activities	**(17 856 580)**	**1 827 813**	**(16 028 767)**	**(16 028 767)**	**(18 763 719)**	**(2 734 952)**	**117 %**	**105 %**	**(20 957 417)**
Net increase/(decrease) in cash held	**103 199 948**	**(103 990 275)**	**(790 327)**	**(790 327)**	**(88 075 760)**	**(87 285 433)**	**11 144 %**	**(85)%**	**29 711 445**
Cash/cash equivalents at the year begin:					261 069 151				246 549 434
Cash/cash equivalents at the year end:	**103 199 948**	**(103 990 275)**	**(790 327)**	**(790 327)**	**172 993 391**	**(87 285 433)**	**(21 889)%**	**168 %**	